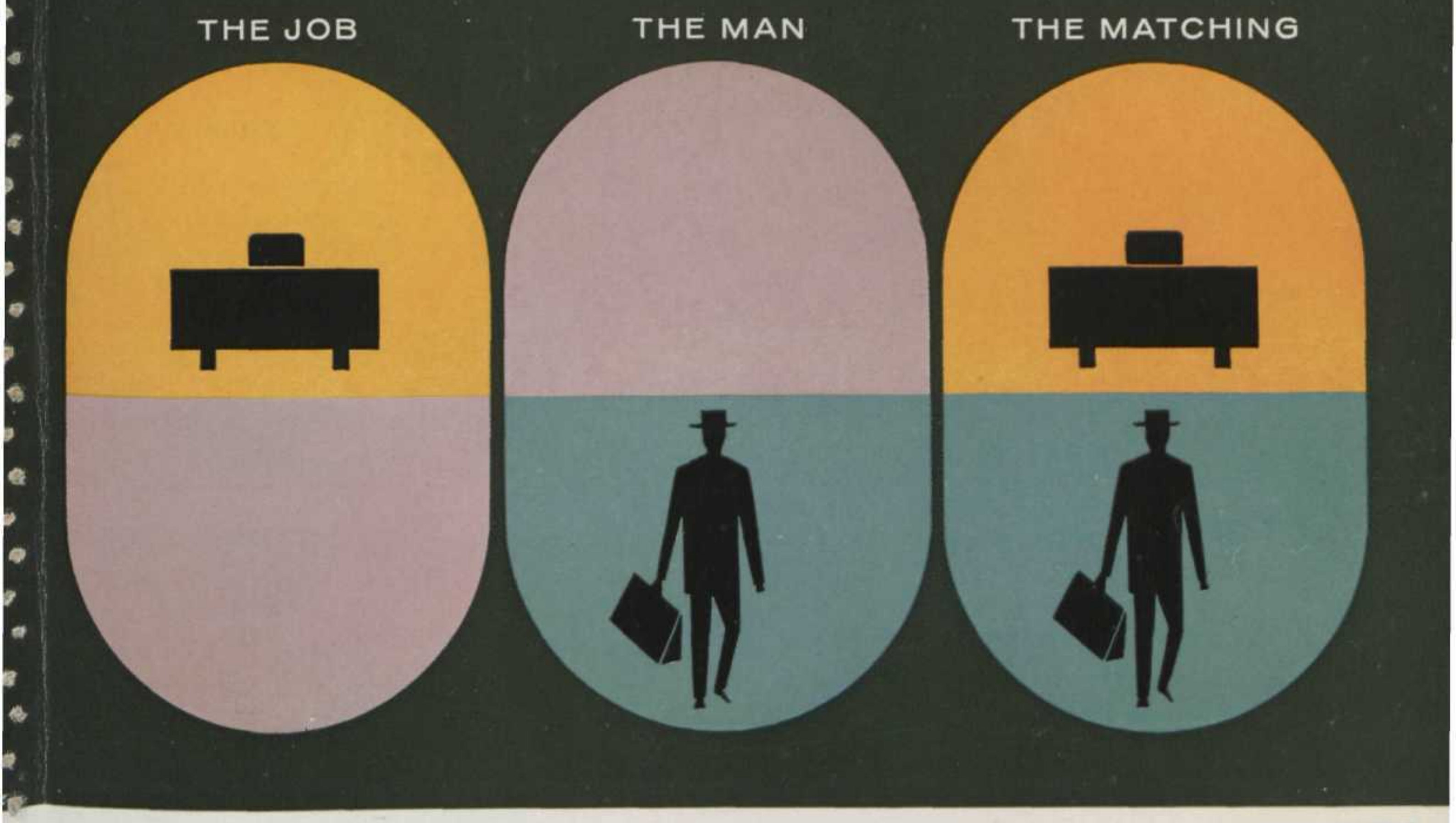
Nation's Business

A USEFUL LOOK AHEAD APRIL 1957

Training future sales leaders



These are just a few of the items of complete telephone service. A package can be made up for your own particular needs at home or in the office.

A Bigger Package of Telephone Service

New services and equipment have been developed to meet trend to greater comfort and convenience

One of the most significant developments of recent years has been the great increase in comforts and conveniences for more and more people.

Recognizing the trend and alert to it, the telephone companies have been accelerating their efforts to find out, and anticipate, what people want and provide it at a reasonable price. The result is a wholly new concept of what is meant by telephone service.

Where formerly it was thought of as just one black instrument, the modern trend is toward a number of telephones at convenient places around the house.

We have helped this new concept by making new style telephones available, along with color, and with spring cords, illuminated dials, volume control, etc.

But the main reason for the success of the idea is that people have found that there is no greater aid to new convenience and comfort than adequate telephone service.

In offices, as well as homes, there is now a much bigger package of telephone service available for everyone.

Working together to bring people together

BELL TELEPHONE SYSTEM

Nation's Business

April 1957 Vol. 45 No. 4
Published by the Chamber of Commerce of the United States

Nation's Business is published monthly at 1615 H St. N. W., Washington 6, D. C. Subscription price $18 for three years. Printed in U.S.A. Entered as second-class matter March 20, 1920, at the post office at Washington, D. C.

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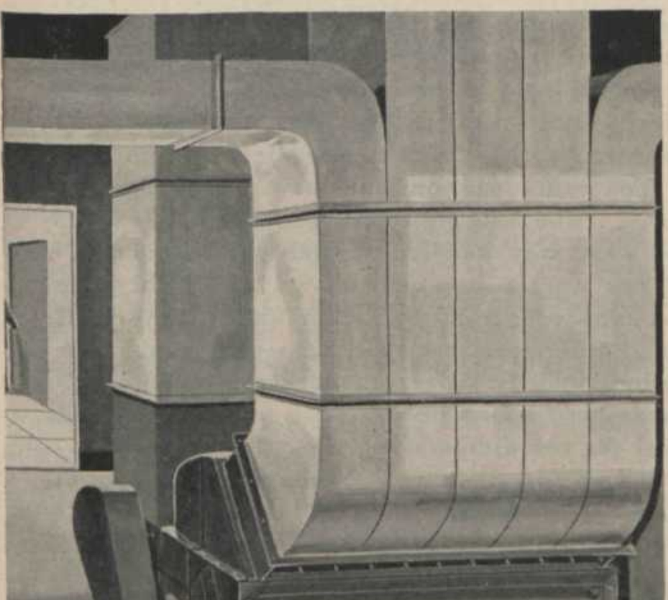
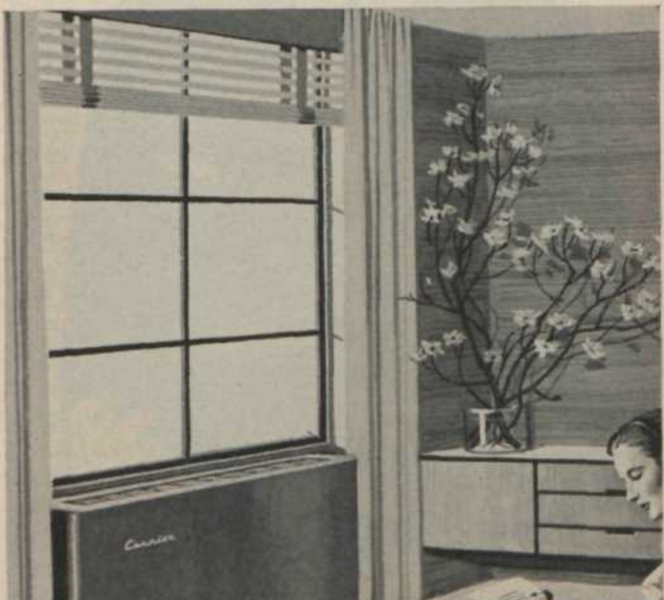
For a single room, you might use the new Carrier Console Weathermaker* that fits inconspicuously under the window. It's completely self-contained and has space in it for a heating coil. Simple controls.

For a whole floor, one simple way is to use a number of these Carrier Weathermakers. They do a man-size job. Yet they're economical—the model shown for instance, operates without the use of water.





For separate areas, this Carrier Zoning Weathermaker will provide individual control of temperature within every zone. Ductwork carries the cooled and heated air to each zone, on one floor or several floors.

For an entire building, an excellent way is a Carrier Weathermaker under a window in each office. A central plant pipes hot or cold water to each unit, where a quiet fan circulates air across the coils.

*Reg. U.S. Pat. Off.

How to put your finger on a good plant location specialist . . .

Since nobody builds plants out of petty cash or puts the roof on overnight, you want a man who knows as much about plant location as your doctor knows about medicine or your attorney about law.

You want a man who has the facilities of a plant location team with many years of sound experience.. . . a team with an outstanding record for *showing the way* to other manufacturers . . . a team which, individually and collectively, knows its business.

You want a man you "don't have to draw a picture for . . . who will *grasp* your problem, know what you want, why you want it, and where to find it."

You want a man who knows his territory like you know your front yard. You want a man who is not the high-pressure type, who goes about your business quietly and in confidence, who is enthusiastic but respects only facts . . . a man who will work for you without obligation.

Where can you put your finger on this man and his team? It's simple.

Write, wire or phone —
L. E. Ward, Jr., Manager
Industrial and Agricultural Department
Drawer NB-753 (Phone 4-1451, Ext. 474)
Norfolk and Western Railway
Roanoke, Virginia

Norfolk and Western RAILWAY

management's WASHINGTON LETTER

▶ECONOMIC OUTLOOK--GOOD.

Economists, government officials agree on that.

Profit squeeze caused some uncertainty.

Feeling's general in Capital that uncertainty is giving way now to confidence.

Here are some basic indicators:

Total goods, services being produced--now about $425 billion annual rate compared to $403.4 year ago.

Personal income--now at $335 billion annual rate compared to $316.7 billion year ago.

New construction--work put in place so far this year's slightly higher than for same period last year.

It's $44.7 billion annual rate compared to $44.3 billion total last year.

Manufacturers' sales--month's $28.7 billion total is $2.5 billion ahead of year ago.

Congress' Joint Economic Committee evaluates future this way:

"America today is prosperous, with employment, production, purchasing power at record levels.

"Wide range of economic indicators suggests we can achieve continuing growth of the economy in the year ahead."

▶MOST APPROPRIATIONS BILLS will be pushed through House of Representatives before Easter.

You can expect national defense appropriation for $38 billion, foreign aid proposals for $4.4 billion, to be taken up after spring recess.

Watch Senate action for key to budget cuts.

House started economy drive on '58 proposals by cutting 2 per cent from Treasury, Post Office bills.

Interior Department budget was cut 12 per cent.

Question now: How much will Senate put back?

Drive to slash 1958 spending program caused one department head to tell his top personnel to find ways to cut their budgets.

"Is that a command?" he was asked.

"No--but find a way to cut," he said.

▶BIG PUZZLE IN GOVERNMENT is this:

Why--in prosperous times--is cost of welfare going up?

Public assistance spending by federal, state, local governments will exceed $3 billion this year.

Although local governments pay only 13 per cent of total cost now, they're leading fight to cut spending.

Example:

Albany's drive in one year chopped $761,000 from cost to local taxpayers, sliced off another $42,000 from cost to federal taxpayers.

More's promised this year.

How did Albany do it? See page 54.

▶DOES YOUR CONGRESSMAN KNOW your views on legislative issues?

How about other officials in Washington?

Recent survey by Opinion Research Corporation shows:

Senators, congressmen feel business does good job of making views known on legislative issues.

Administration officials also like to hear from businessmen on issues important to them.

Example:

Marion B. Folsom, former businessman, high Treasury official before becoming Secretary Health, Education, Welfare.

To NATION'S BUSINESS he said:

Very few business people come here.

Quite a contrast with Treasury when I saw only business people who were interested in taxes.

Here people I see are social workers, doctors, educators, school people.

Would the Secretary like to have business people see him?

Sure, he said, I'd like that very much.

▶CHARACTER OF CONGRESS is changing.

Meaning for businessmen:

More of an uphill fight in promoting your point of view on legislative issues that affect your business.

Big 4 on Senate Finance Committee--for years--consisted of Senators Byrd, George, on Democratic side, and Taft, Millikin, on Republican side.

These men were the senior ranking committee members.

Significantly, they were rated receptive to business points of view.

Now--only Senator Byrd is left.

Replacements on committee are known to

be less receptive to the business point of view.

▶"UTTERLY FOREIGN TO AMERICAN way of life."

With these words Treasury Secretary Humphrey rejects concept of government controls on U. S. economy.

President Eisenhower expresses his view this way:

"...when we begin to control prices and allocations and wages...then it is not the America we know."

Digging behind basic philosophies, NATION'S BUSINESS sent reporters talking with high-level Eisenhower aides.

Behind scenes explanation of Administration's philosophy of how to keep country free, productive, growing--see page 31.

▶LOOK FOR PROPOSAL IN CONGRESS to cut \$24.5 million from appropriation for veterans insurance.

That's estimated cost of program's administration during fiscal 1958.

Bill's expected to call for administrative cost to be paid out of \$236 million dividend anticipated in '58.

About 7 million former servicemen (out of 21 million) have GI insurance policies.

Total dividend payments to them for 5 years ending with 1958 will come to more than \$1 billion.

Bill's backers say administrative costs for that period--paid out of dividends--would have saved taxpayers about \$143 million.

Note: Payment of administrative costs out of dividend fund would reduce each policyholder's dividend an average of \$3.50 in 1958.

▶BOOM ROLLS ON, IMPROVES OUTLOOK for federal budget surplus for fiscal '57.

Formerly expected: \$700 million.

Now it's \$1.7 billion.

Reason: Net budget receipts are expected to total \$70.6 billion rather than \$69.8 billion formerly anticipated.

Why's that? High employment, wages, economic growth.

On government spending side, total's down a little--from \$69.1 billion to \$68.9 billion now.

Note: There's unofficial talk that both receipts, spending may climb later this year.

But surplus won't change.

Balanced budget would be seventh in 28 years.

Other black ink years:

1929--with \$700 million surplus.
1930--same.
1947--with \$800 million.
1948--with \$8.4 billion.
1951--with \$3.5 billion.
1956--with \$1.8 billion.

▶FIVE-CENT POSTAL RATE will come up again next year.

Here's report from inside Post Office Department:

Jump from 3-cent letter to 5-cent letter was too big for Congress.

So Department compromised, asked for--and is expected to get--4 cent letter rate, other boosts on second and third class rates.

Increase will bring in \$462 million during coming fiscal year--not \$650 million President hoped for to help keep budget surplus.

If Congress approves new rate proposals, Department's expected to press for 5-cent rate, plus expedited mail service, next year.

▶DON'T COUNT ON EARLY CHANGE in rediscount rate.

Federal Reserve Board fears action might be interpreted as signaling economic trouble ahead.

That's not official--it's talk in private conferences, in hallways, at lunch, on telephone.

Here's chief difference in Washington talk of month, two months ago:

Then, talk was all about inflation.

Now officials are wondering what will happen if monetary controls are relaxed.

Problem's this:

Putting economic brakes on--tight money--is positive action.

Relaxing monetary controls is permissive action.

Reserve Board can increase money supply that's available--but it can't force money into circulation.

Nevertheless: You can expect steps in some areas to increase money supply.

That'll come when Board is convinced current inflation threat is safely past.

▶RIGHT-TO-WORK LAWS ARE WINNING more support.

Indiana's first big industrial state to pass one.

Meanwhile, union efforts to kill all 18 state laws through Taft-Hartley amendments are stalled.

Union hopes of success reached peak last summer after repeal of Louisiana law.

Right-to-work issue is live in Connecticut, Delaware, Maryland, Kansas, other states.

Texas, South Carolina are considering strengthening existing laws.

See page 58.

▶UNION POLITICAL SPENDING restrictions will be further clarified by courts in United Auto Workers case.

Supreme Court says:

UAW must stand trial on charges of spending $5,985 out of union funds for TV broadcasts supporting 1954 congressional candidates.

District court had refused to hear charges.

▶RADIATION HAZARDS in industry are being used as springboard for national industrial safety law and federalized workmen's compensation.

Union drive for federal safety standards in industrial use of atomic energy was kicked off at AFL-CIO conference in Washington.

Leaders admit they seek foot in door for federal safety law for all industry and uniform workmen's compensation.

AFL-CIO publication, Labor's Economic Review, attacks and compares laws of 48 states, concludes: "Workmen's Compensation in Crisis."

▶LABOR RACKETEERING DISCLOSURES kill chances of Taft-Hartley weakening this year.

Chances are better labor law will be strengthened, expanded.

Sensational revelations by Senate Select Committee in early phase of investigation involve mostly labor alliances with crooks, gamblers, politicians, vice operations.

They make headlines.

Later, investigation will turn to restrictive labor practices, relations with employers, disclose need for new legislation. See page 34.

▶UNION BUSINESS FAILURE may cost 150 Texas unions, many union members millions of dollars.

It's their investment in insurance company labor groups took control of 5 years ago, now going into receivership.

Texas Insurance Commission has declared company "hopelessly insolvent."

It's $4 million in the red, owes policyholders $3 million.

In other areas, unions are pouring welfare fund dollars into home mortgages.

AFL-CIO electrical workers is first union certified by FHA as eligible to buy FHA-insured mortgages with welfare fund money.

Group will invest $1 million a month in eight cities for mortgages on homes built with union labor.

Teamsters, garment workers, other unions also have invested welfare and other funds in mortgages, mostly VA guaranteed loans.

▶PRETTY YOUNG SECRETARIES may soon go on your workers-hard-to-find list.

Census Bureau analysis of U. S. work force through 1975 shows:

Many young women in 18 to 34 age group won't be available as workers.

They're expected to be married at earlier age, keep busy with housekeeping, caring for babies.

▶LOOK FOR: Pentagon to announce curtailment of more activities competitive with small business....

Business to spend $1 billion in coming 3 years to modernize office procedures. Official of data processing firm says office worker shortage, mountains of paperwork will speed need for office automation....

Transoceanic TV within 10 years, but passenger trips to moon never. Electronic scientist Dr. Lee de Forest, who invented vacuum tube, says adroit location of relay stations, reflections from ionosphere will make long-distance TV possible....

Fewer strikes during months ahead. Long-term contracts in major industries continue beyond 1957.

Letters from businessmen

Pudding-proof

I have your article ("The White House – A Different President," March issue) at my home. I think there is no escaping the sad fact that Ike has adopted the New Deal . . . hook line and sinker. He denies it, but the proof of the pudding is in the eating.

Since when has a demand been a law that must be granted? What people are demanding what? Are the successful people, the large taxpayers, the prudent people demanding things? Or is it the lazy, the ignorant and the improvident? I know of dozens of good citizens who have bought their last U.S. Bond, because to do so is to encourage the present day fiscal policies and government spending. I know of many who deplore the loss in value of their life insurance policies, their other savings and bonds and social security payments to come in future years. And all because we have had Roosevelt and Truman, and now Eisenhower to state the creed that when the people demand they must be granted what they demand. Tommyrot.

It will be interesting to see if 10 years from now those of us who pay high taxes and see it squandered on social welfare, soil banks, price supports, drouth relief will be willing to continue to pay out high taxes.

FRANKLIN R. HYDE,
Hyde Holding Corporation,
Pierre, S.D.

Real shortage?

Just finished reading "Executive Trends" in your March issue which emphasizes the continuing shortage of management talent. I have found it discussed rather consistently in leading business publications over the past months. The question in my mind, however, is the extent of research on this question to determine if there really is an acute shortage of management talent, or if top management has been reading so many articles along this line that the socially accepted response to such a question is an answer in the affirmative.

This is not said with any sarcasm. The comment is made as the result of communication and personal contact with over 200 business executives and management consultants in an effort to transfer 10 successful years of professional association management experience into industry. The most frequent comment is that such broad management experience is certainly an excellent background—but the need is only for specialists. If a problem really exists today, industry has brought that problem upon itself by demanding specialization rather than broad general management growth.

JACK R. DAUNER,
Harrison, N.Y.

Yes, but

This article on the Federal Barge Lines ["Company Profits Where U.S. Fails," February issue] is very interesting indeed and very well written. There is no question but that the operation is efficient and that their management is doing an excellent job, but why can one barge tow move as much freight as 400 rail cars at rates as low as one third the cost? You indirectly refer to the reason on page 44 (U.S. Engineers Corps has $8.5 billion in its backlog of authorized waterway projects). Who is paying a big share of the cost of the barge line's "right-of-way"? With the help of federal funds and the weatherman the barge lines can be assured of low cost operation for all time.

E. H. GRUETZMAN,
General Agent,
Great Northern Railway Co.,
St. Paul 1, Minn.

How many needy farmers?

We all rant and rave about two particular things: high taxes, inflation. The thing that has had me completely mystified for several years is why we seem to be so naive about one of our items which causes both.

This is our farm program. It takes seven per cent of our federal taxes, and with agricultural departments in most every county and state—another good bite out of the taxpayers' pockets. This represents for less than 6 million farmers as much or more tax expense than is paid to approximately 23 million veterans for all their expenses, disabilities, hospitalization, widows' pensions, etc.

Just how many poor and needy farmers are there? I have spent my lifetime in a farming commu-

How to hire 42,000 experts to speed your shipping

Poor Ed was adrift on a great raft of woe
His shippers were tardy, his shipping was slow

Now Eddie's been rescued, his shipping speeds through
He calls **RAILWAY EXPRESS**—*the dependable crew!*

The big difference is

Here's what happens when you specify shipment by Railway Express—efficient teamwork speeds your shipping over every mile from point of origin to destination. The entire Railway Express team—42,000 strong—has but one job, and that's to serve you. That's why you can always depend on Railway Express, the complete rail-sea-air shipping service. So, whether you're sending or receiving, here or overseas—call Railway Express. You'll find it makes the big difference in speed, economy and safe, sure deliveries.

RAILWAY EXPRESS AGENCY

safe
swift
sure

nity. Most of my people were farmers—have owned as high as four farms myself. There are mighty few I know who need any help from the taxpayers. In fact, a large number of our farms are owned by well-to-do people—gentlemen farmers.

Why does this go on and on? I have been trying for two years to get an answer and have none, except the politicians claim they are afraid of the farm vote. Many people I know are quite conscious of the large number of farms owned by politicians.

C. W. OWENS,
Tri-County Finance Co., Hagerstown, Ind.

Tax makes problems

I have been reading with some interest the article by Wilbur D. Mills, "Here's Outlook For Taxes," [February issue]. I take it Mr. Mills was classified as somewhat of a tax expert. After reading the article I am convinced that the author is not any more clear about taxation than we dubs are.

A good many of the problems that he mentions in the article are problems created by taxation itself. I think the nation and the inhabitants would be far better off if some other method for raising public revenue was found. It just takes money from the resources of the development of business.

There is an old saying, "The power to tax is the power to destroy," and certainly our excessive taxes have destroyed a good many avenues for development in the nation. I realize it is not an easy problem but income taxes certainly destroy business and progress.

CLEVE GROOME,
Caldwell, Idaho

▶ *Rep. Wilbur D. Mills is chairman of the Subcommittee on Internal Revenue Taxation of the House Ways and Means Committee.*

Last-straw situation

Your "Free Ballots Depend On Free Markets" editorial [State of The Nation, February issue] carries deep significance as to coming events. A calm discussion of the dangers wrapped up in what seems to be a last-straw monetary situation of the first magnitude.

WILLIAM E. CLEMENT,
New Orleans, La.

Changing pattern

I have just read your Washington Letter in the January issue. You stated that new supermarkets will add materially to the nation's economic health in the coming year with more than 2,000 new stores, which will in turn create 7,800 new jobs.

I cannot agree on this point. In

Behind each door there's FRIGIDAIRE
low-cost *Custom Cooling!*

Compact, easily installed packaged conditioners

Attractive ceiling-type units

Room conditioners

Just as your door and business are different from your neighbors', so are your air conditioning requirements. Your Frigidaire Commercial Air Conditioning Dealer can recommend the *right* system for you—air-cooled, water-cooled, one you can suspend from the ceiling, tuck away in a corner, or install in a separate room.

Because Frigidaire builds a complete line of air-cooled and water-cooled packaged and component air conditioning units, your dealer has the flexibility to solve virtually any installation problem—he will give you exactly the right amount of Frigidaire Conditioning you need to help bring business through your doors . . . at a price you can afford.

Your Frigidaire Custom Cooling Dealer's door is not far from yours. Call him for a free analysis of your cooling needs. He's listed in the Yellow Pages under Commercial Air Conditioning. Or write FRIGIDAIRE DIVISION, *General Motors Corporation,* Dayton 1, Ohio.

FOR A NEW BOOST TO BUSINESS

GM GENERAL MOTORS

GO FRIGIDAIRE

AIR CONDITIONERS

my neighborhood in Oklahoma City, I know of 12 food stores within a radius of 10 blocks that have gone out of business in the past three years. I also read an article in the *Oklahoma Food Journal* which states that in four years 115,000 food stores have gone out of business in the United States. I believe there will be more than twice as many people put out of work than the new jobs created by new supermarkets.

L. I. BRUST,
Oklahoma City, Okla.

▶*Trend toward larger but fewer food stores also has seen total sales rise by $10.5 billion in six years. Stores going out of business in past four years are near long-term average, about equal store openings nationwide.*

Helps program

Attached is a check to cover 100 copies of "Six Steps To Executive Success," [November 1956 issue]. In our opinion this is one of the best articles pertaining to this subject that we have ever read. It will be used in conjunction with our Management Development Program.

J. F. SHLUETER,
Mercury Division, Ford Motor Company, Dearborn, Mich.

▶*1,820 other businessmen of the same opinion have ordered 52,271 reprints*

Managers' delight

Please send me 40 copies of "Managers Need 3 Smart Teachers." This is a well written and very timely article and I am sure it will be deeply appreciated by the members of our small executive staff, together with their younger and ambitious assistants.

C. L. STEBER,
President, Steber Manufacturing Co., Broadview, Ill.

Enclosed is 90 cents for six copies of "Managers Need 3 Smart Teachers." This is a fine article and we wish to express our appreciation for the many excellent articles on management which you have been publishing.

D. E. STANBERRY,
Plant Superintendent, Colgate-Palmolive Company, Berkeley, Calif.

Today's concept

Will you please send me 10 reprints of "Selling Tomorrow's Market" that appeared in the February issue?

As an advertising and sales promotion manager of a rapidly growing custom steel fabricator in the Southwest, I found the story to be one of vital importance to our organization. The marketing concept of today is one from which companies like ours can benefit greatly.

H. WESLEY WHITLOCK,
The Boardman Co., Oklahoma City, Okla.

✔ WATCH THIS ISSUE

Minimum wage push seen as 5-fold threat

Proposed law change could endanger employes as well as their employers

THE PUSH in Congress to broaden $1-an-hour minimum wage coverage this year carries five hidden dangers, in the view of a growing body of businessmen.

Opponents of expanded coverage insist it would:

► Spur the wage-price spiral to new inflationary heights.

► Deal a body blow to many small businesses and maybe even some large ones.

► Force many retailers to lay off employes in order to survive the higher labor costs.

► Raise enforcement and administrative problems that only a bigger federal payroll could solve.

► Threaten the constitutional principle that federal authority should not reach into local activities.

The Federal Fair Labor Standards Act—popularly known as the wage-hour law—now covers about 24 million employes, mostly factory workers. About 20 million are not covered by the law.

Attention focuses on two major legislative ideas:

1. *The Administration proposal* which would spread the coverage to about 2.5 million more workers.

2. *The Morse-Kelley proposal* (sponsored by Sen. Wayne Morse and Rep. Augustine Kelley, both Democrats), which would bring nearly 10 million more workers under the Act.

Representative Kelley predicts some form of broadened coverage under the wage-hour act will be passed this year. He told NATION'S BUSINESS he expects a compromise between the two main proposals to win congressional approval. He added the $1 minimum wage level will not be increased—at least not this year. Outcome of the wage legislation will hang on how much support northern Democrats and liberal Republicans can win from conservative and moderate members of Congress.

Organized labor backs the Morse-Kelley bills. George Meany, president of the AFL-CIO, calls the Administration proposal "narrow, restricted and unrealistic." He contends that one fifth of the country's workers are now paid less than $40 a week, "far less than the minimum standard of decency." He calls them "the forgotten men and women in our economy" who are being "exploited" by business. Union officials are eager to see broadened coverage enacted this year, so they can seek an increased wage floor next year—an election year.

The AFL-CIO-backed measure would extend coverage to employes of concerns engaged in any activity "affecting interstate commerce." Present law applies only to employes —not employers—engaged in, or producing goods for, interstate commerce. The Morse-Kelley proposal would cover retail and service businesses with more than $500,000 in annual sales and more than four outlets. About 4 million retail employes would be assured of $1 an hour. The measure also would stretch the wage coverage to 1.5 million farm workers and extend overtime benefits to many other workers in agriculture and transportation.

Mr. Meany predicts that the proposed expansion of the law will benefit business as well as employes.

Speaking for the Administration, Labor Secretary Mitchell has recommended to the Congress that employes who work in businesses engaged in interstate commerce and which buy at least $1 million worth of goods each year and employ 100 or more persons be brought under the $1 an hour law. Under this plan, some 3,000 concerns engaged in retailing, construction, transportation and communications would be di-

Aluminum paint is the standard protective coating for all of Sinclair's refineries (like this one in Wyoming), bulk stations, terminals and tank farms. Aluminum paint: **Sinclair Refining Company.**

Sinclair has used aluminum paint for over 40 years

Their reasons can point the way to savings for you, too

Sinclair Refining Company has used aluminum paint since 1916. Sinclair Aluminum Paints, pigmented with ALCOA® Aluminum, have demonstrated again and again their ability to give unmatched protection against rust, corrosion and high heat. Moreover, brilliant aluminum paint improves appearances while reducing evaporation losses by reflecting the hot rays of the sun.

In the corrosive atmosphere of the Gulf Coast, for example, an area which is especially rough on metal and paint, aluminum paint has lasted 15 years and more on Sinclair's facilities. If you can't make the same claim for the paint you are now using, it's time you investigated aluminum paint.

ALCOA does not make paint, but ALCOA Aluminum Pigments are used in more aluminum paints than any other brand. Special formulas have been developed by your paint manufacturer to solve individual problems. Paints made to these formulas actually cost less, last longer, give utmost protection against heat, cold, sun, rain, smoke and fumes.

Write today for our two FREE booklets, *Painting With Aluminum* and *Aluminum Asphalt Roof Coatings Make Time Stand Still.* They contain valuable, up-to-date information on aluminum paint and aluminum asphalt coatings. Use the coupon.

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Company________

Address________

City________ Zone____ State________

rectly affected. About 2 million would be in retail trade.

The Administration, he told Congress, "does not propose to extend this act to the millions of small, local businesses. To do this would place a burden on these businesses and might seriously curtail employment of the many employes who depend on the survival and growth of these businesses for their livelihood . . . and it would raise grave questions as to the appropriateness of such action by the government under federal law.

"We must not lose sight," he added, "of the fact that practicability of action for improving minimum wage standards and the avoidance of action which would curtail employment or earning power are among the objectives of this act. . . ."

Business and trade organizations including the U. S. Chamber of Commerce, the American Farm Bureau Federation and the National Automobile Dealers Association oppose the broadened coverage.

Eugene B. Sydnor, Jr., president of Southern Department Stores, Inc., testifying on Capitol Hill for the U. S. Chamber of Commerce, pointed out that "legislated wage boosts" would be inflationary. Proponents of broadened coverage overlook many of the real facts of the situation, he said.

Some believe that the cause of low wages is the unwillingness of management and proprietors to pay higher wages. But the real reason, he explained, is low productivity. A large proportion of the retail and service labor force is unskilled or of low skill. According to Bureau of Census figures on employment by age groups in 1955, some 10.5 per cent of all retail and wholesale employes were in the 14 to 19 year-old age bracket. In the service industries, the figure was 7.2 per cent. In addition, most of these young people work only part time. Some 55.3 per cent of all employes in the services industries were women. In wholesale and retail trade, 36.4 per cent were women, according to the 1955 figures.

Business groups note these potential dangers to broadened wage coverage:

Inflation: In retailing, hourly earnings already are rising faster than productivity. From 1948 to 1956, real average hourly earnings increased at the rate of 3.1 per cent a year. But output per man-hour in retailing (adjusted for price changes) increased at a rate of only 2.5 per cent a year. Wholesale prices increased 5 per cent between December, 1955, and November, 1956, so retailers had to pay more for what

they bought from wholesalers and manufacturers.

Blow to small business: Though legislative proposals indicate coverage of the minimum wage would be extended only to a segment of retail and service industries representing large companies, small concerns would feel the effects. Non-covered businesses would have to compete in the local labor market with covered businesses that would be paying higher wages. If small, uncovered stores couldn't raise their wages, too, they would have to operate with fewer employes or with less efficient help. So their competitive position would be weakened. Even if they could raise the wages, this would tend to boost all wage and salary levels of higher paid employes.

According to the latest Internal Revenue figures (1953) all retail corporations had a net profit after taxes of 1.2 per cent of sales. Of all retail corporations filing income tax that year, 39 per cent had no net income. Those in the black had a net profit of 1.9 per cent after taxes. If hourly wages had been raised by 25 cents, for instance, in 1956, which was the amount the minimum wage was hiked, retail profit would have been wiped out.

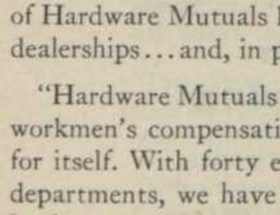
Enforcement and administrative problems: The Department of Labor has acknowledged the difficulties it has even now in investigating establishments covered by the Fair Labor Standards Act. In fiscal 1955, it could investigate less than 5 per cent of the estimated 800,000 covered concerns. This would indicate that more investigators would have to be put on the federal payroll if enforcement is not to lag still more.

If the wage-hour act were applied to retail and service employes, problems would be sure to occur. A third or more work longer than 40 hours. Special bonuses, commissions and other forms of compensation prevail throughout the distribution industries. The difficulty of computing the exact rate of pay and overtime pay would be nearly impossible.

Record-keeping would add another nuisance factor. Present rules require that 17 separate records must be kept for each employe for three years. Seven other sets of records must be preserved two years.

Federal vs. State Authority: Retail and service businesses are essentially local in character regardless of sales volume or whether the establishment is independently or chain owned. The business takes place at a local level, and wages depend on conditions in the local area.

Any regulation of retail and service wages should be the concern of state and local governments. **END**




FRED J. MAROON

THE STATE OF THE NATION

BY FELIX MORLEY

Money squeeze on our small colleges threatens nation's supply of leaders

MUCH HAS been written about the alleged inadequacy of teachers' salaries in the public schools. And impressive facts are cited to support the argument. One instance is the recent case of a University of Delaware student who trained for high school teaching in that state, but on graduation accepted a starting salary of $6,000 from a local corporation. This moved the president of the university to issue a somewhat tart statement, saying: "Here is a student with no unusual scholastic achievement, no previous experience nor exceptional talent, being offered a starting position in industry at a salary higher than he could earn in the public schools of Delaware."

For many, however, this comment will not have the effect intended. It does not convey the impression that this young man would have been underpaid as a teacher, but rather that he is being overpaid in business. If so, time will rectify the mistake. Unless productive, this $6,000 youth will soon be dropped, or at best stagnate at his present level. His gilt-edged initial employment carries no guarantee of permanence, still less of automatic promotion.

As a public school teacher, on the other hand, the future of this youth, though modest, would have been assured. He would have had short hours, long vacations and no competition for his job. He would have escaped the unexpected pressures and inescapable personal responsibilities that ulcerate so many businessmen. The unassured financial reward of the latter must be balanced against anxieties the teacher escapes.

Moreover, the financial problems of the public school teachers, though currently very much advertised, are actually less serious than those of the professors in our smaller colleges. A startling fact, ignored by the powerful public school lobby, is that the professor who has had years of specialized training for his position is in many parts of the country no better off financially than teachers in the grade schools.

A small midwestern college with an international reputation is currently paying its instructors, all of whom have earned at least their M.A. degree in graduate study, a minimum of $3,600 and a maximum of $5,000 annually. In the same county, public school teachers without the M.A. degree receive an initial salary of $3,518, rising by annual increments to a maximum of $4,610. The virtual equivalence of these scales simply does not justify the extra study necessary for college teaching unless the greater intellectual stimulus of the latter is weighted heavily.

In other parts of the country, teachers in the public schools are today receiving actually higher

salaries than college professors with the Ph.D degree, which normally requires three years of intensive postgraduate work. The school board of a Maryland county, adjacent to Washington, has just adopted its salary scale for the academic year 1957-58. For teachers without any college degree, employed on emergency certificates, the pay ranges from a minimum of $3,200 to a maximum of $5,200; for teachers with the B.A. degree the spread is $3,800 to $6,000; for those with the M.A. degree from $4,000 to $6,200.

On the faculties of all of Maryland's small colleges there will next year be full professors earning smaller salaries than are met by the taxpayers for public school teachers whose knowledge of their subjects is often almost as elementary as the classes over which they preside.

• • •

The anomaly of this situation is emphasized by the disproportionately great contribution which the American small colleges have made to national leadership, in every field. The editors of "Who's Who" point out that these local institutions "in relation to their enrollment contribute the highest percentage" of those getting this distinguished listing. A recent analysis of the educational background of nearly 34,000 business executives reveals that while 12 per cent never went to college, 71 per cent of those who did are graduates of privately endowed small colleges. Another study, of eminent American scientists, shows that the great majority were trained in 50 institutions of higher learning, of which 39 are privately supported and only 11 are state universities.

Unlike the relatively well situated teachers on the public payroll, the underpaid college professors are served by no lobby. But the consequences of their meager remuneration are not less alarming because so little advertised. While nobody goes into college teaching to make money, many are nevertheless leaving it because they cannot afford to stay. And this problem of exodus is far more serious in the case of the colleges than in that of the schools, not only proportionate to the numbers involved but also to the extent that expert instruction is more important at the higher than at the lower level.

Additionally, the attrition of college teachers is becoming pronounced just as the teen-age population curve begins to demand expanded faculties. As Dr. Milton S. Eisenhower said of the Johns Hopkins University, in his recent inaugural address as president there: "Too many vacancies are now unfilled . . . largely because funds to attract the scholars we want are not available."

The problem is most pronounced in the field where the national need is greatest. Older professors, wedded to teaching and lacking alternative opportunities, are sticking to their posts, supplementing their incomes by expedients seldom conducive to professional efficiency. But the lower rungs on the academic ladder, the ranks of laboratory assistant, instructor and assistant professor, are simply not being filled to meet existing student enrollment, let alone that to be expected next fall and in ensuing years. It isn't merely that the future in college teaching is bleak. The lure of industry and commerce, with the great emphasis now placed on research training, is also stronger than ever before. Young scientists, in particular, must indeed be dedicated men to go into college teaching when they can never expect to reach the salary level now offered as a starter by hundreds of companies for qualified physicists, chemists, biologists, geologists and engineers.

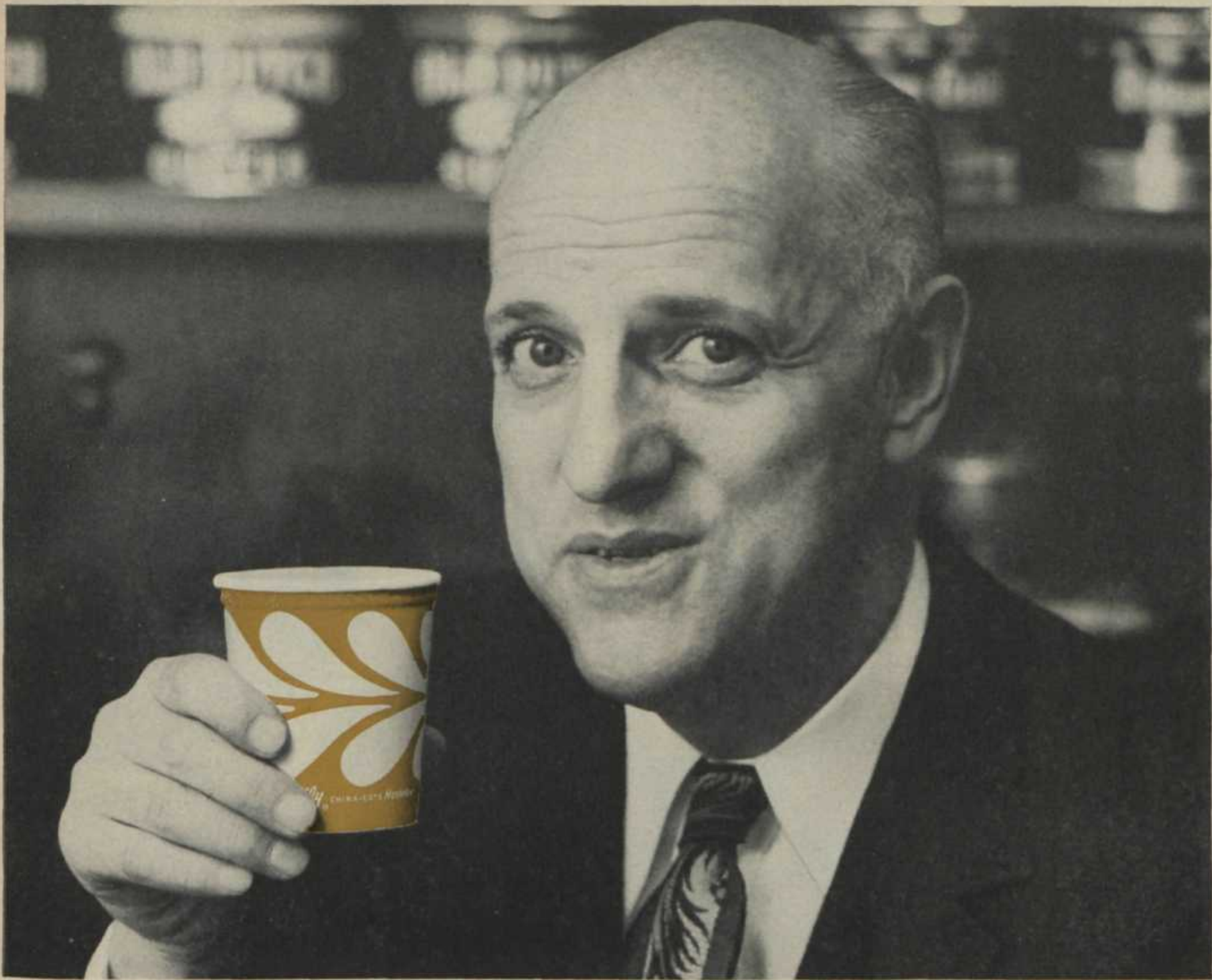
Practically every American college and university is now adversely affected by this recruitment block. And the ingenuity of campus administrators in trying to confront the crisis is about exhausted. Many a seasoned professor is today serving as his own laboratory assistant. But it is a distasteful chore, cutting into time which should be at the service of the better students. Meanwhile industry —and the Department of Defense—point to the need for more scientists and to the high level of Russian scientific training. The colleges are urged to improve and increase their output when it is increasingly difficult for them to maintain the level of instruction heretofore achieved for smaller numbers.

• • •

Federal aid is obviously no panacea for this increasingly critical problem. Already salaries paid in the public schools approach or exceed those received by more specialized college teachers. To improve the school level, even if intrinsically desirable, is merely to make the college situation relatively worse. Then the demand would be for a political bureaucracy in Washington to finance and direct higher as well as lower education throughout the country.

The problem is intensified not only by inflation, but perhaps even more by a taxation policy which makes it extremely difficult for the American people to solve it in the customary manner of voluntary cooperation. Under the present system of deductibility a dollar given to his college costs the donor 80 cents, if in the lowest income bracket, as against only nine cents for those who pay the highest surtax rate. It seems contrary to all logic and propriety that the less a loyal alumnus can afford to help his alma mater, the more it should cost him to do whatever he can.

One may reasonably question a tax structure that tends to injure the status of college professors when that of public school teachers is improved.



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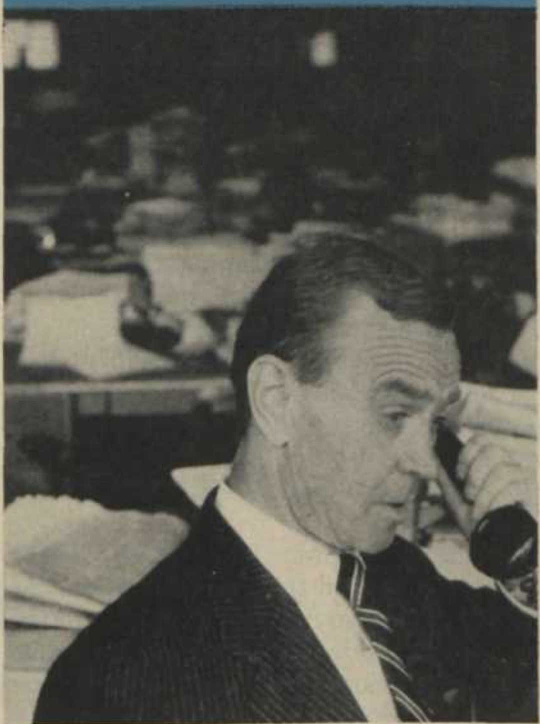
PHILLIPS—BLACK STAR

WASHINGTON MOOD

BY EDWARD T. FOLLIARD

Secretary Wilson's frankness brings unexpected reaction

THE GRIDIRON CLUB, at its annual dinner, was roasting Secretary of Defense Charles E. Wilson. To the tune of "I'm Forever Blowing Bubbles," the chorus sang: "I'm forever making boo-boos. . . . ."

The 500 guests in the Statler ballroom roared with laughter. It was not the laughter of derision, however, but of affection. The guests, including the Duke of Windsor, could see "Engine Charlie" up at the head table chuckling, too. That is one of his virtues, an ability to laugh at himself.

To the surprise of a great many people, Secretary Wilson has become remarkably popular in Washington. He and Secretary of the Treasury George M. Humphrey are undoubtedly the two most admired men in the Cabinet. The warm feeling for Wilson is due only in part to his handling of affairs at the Pentagon. People like him because he is that refreshing rarity in official life, a man who is determined to be himself, who has the courage to speak the truth as he sees it, and who somehow has managed to get away with it.

Mr. Wilson doesn't like controversy, and he certainly doesn't court it. Yet he seems unable to escape it. When the uproar comes, he remains serene and just waits for it to die down. He agrees with former President Truman that you ought to "get out of the kitchen if you can't stand the heat."

• • •

In the beginning of the Eisenhower Administration, when the Democrats were joking about a Cabinet made up of "seven millionaires and a plumber," Mr. Wilson was widely adjudged to be the least likely to succeed. He was the personification of Big Business. He had headed General Motors, and was giving up an income of $600,000 a year for a cabinet officer's salary of $22,500 a year. To take the post, he had to agree to sell his 39,470 shares of GM common stock—stock that was to increase in value more than $2 million after he let it go.

A sensation came when Mr. Wilson, testifying before a Senate committee, was quoted as saying that "What's good for General Motors is good for the country." (That quotation is still attributed to him. But the record shows that he didn't say it quite like that. He said: "I thought what was good for our country was good for General Motors, and vice versa.")

It was a tough job that Mr. Wilson was moving into as Secretary of Defense, one that brought on a crack-up for poor James Forrestal and led him to commit suicide. In the Pentagon, the automobile official was soon to learn that, despite the law unifying the armed services, there still was a fierce rivalry among them, and an unending battle for a larger share of the Defense Department's budget.

The money problem was not too difficult at first. The Korean War was still on, and Congress was in a mood to give the Army, Navy and Air Force just about anything they wanted. Once the fighting stopped, however, Mr. Wilson had to start cutting in a big way. By 1955, he had reduced the Pentagon budget by something like $8 billion. Since then it has been going up again, owing to increased pay for fighting men and higher costs for military hardware.

Mr. Wilson, blue-eyed, white-haired, and a chain-smoker at 66, hardly ever gets angry. Just the same, he never lets the generals and admirals forget that he is the boss and is running the show.

Oddly enough, his popularity dates from an episode that scared the daylights out of Republican politicians, and made the Democrats think for a time that they had obtained a valuable if unwitting

ally. The occasion was a press conference which Mr. Wilson held in Detroit on Oct. 11, 1954. Replying to a reporter's question about unemployment in the Detroit area Mr. Wilson said that he had a lot of sympathy for people who were not able to get work. Then he added:

"But I have always liked bird dogs better than kennel-fed dogs—you know, one who will get out and hunt for food rather than sit on his haunches and yelp."

This remark came two weeks or so before the midterm congressional elections. That was why the Republican professionals were frightened, and also why the Democrats and some labor leaders tried to exploit the incident.

Walter Reuther, head of the United Auto Workers, demanded in a telegram to President Eisenhower that Mr. Wilson "publicly retract" or "be asked to retire from public life." The Democrats likened the Defense Secretary to Queen Marie Antoinette, who, when told that the starving people of Paris had no bread, is supposed to have said: "Let them eat cake."

President Eisenhower, who was vacationing in Denver, said he had never known Mr. Wilson to be indifferent to human misfortune. Mr. Wilson himself grinned and began making a collection of cartoons poking fun at him for the remark.

• • •

Mr. Wilson managed to get through the 1956 campaign without an incident. However, the inauguration was hardly out of the way when he was in the headlines again. Testifying in Congress in favor of six months' active duty training for the National Guard, he remarked that the National Guard had been a haven for "draft dogers" during the Korean War.

The inevitable result was another angry storm of controversy. While it was raging, Mr. Wilson called at the White House for a talk with President Eisenhower. When he came out, reporters asked:

"What did you discuss with the President?"

"This is not my dunghill," said Mr. Wilson. "If there is anything to be announced, somebody else ought to announce it."

The word "dunghill," applied to the White House, was a bit startling. However, most people in Washington were amused, this being the sort of thing they had come to expect from the forthright Defense Secretary. The Washington *Post and Times Herald* paid him a handsome compliment on his literary flair, saying:

"There are a few old boys and girls still among us who are capable of understanding English when they hear it and there are even some who are able to speak it with fluency and precision. One such is Charles E. Wilson, the Secretary of Defense. Instinctively, Mr. Wilson follows the English usages that conscientious schoolmasters still try, though mostly in vain, to beat into the heads of their students. He prefers the active voice to the passive voice, the vivid word to the flat one, and his sentence structure almost invariably follows the natural English order—subject, predicate, complement. Not only that but Mr. Wilson's speech usually has a high literary flavor. . ."

The *Post's* editorial noted that Mr. Wilson had used "dunghill" as a metaphor for symbol of authority, in this case the White House. And it pointed out that the word appears in the English Bible at least nine times, and almost as often in Shakespeare.

Mr. Wilson's draft-dodger crack gave the gossips hereabouts a field day. When President Eisenhower told a news conference that it was an "unwise" remark, some thought that Engine Charlie was on his way out. They were almost sure of it when Mrs. Wilson jumped into the arena and said she was "indignant" over the way the President had treated her husband.

The speculation ended abruptly when the Chief Executive gave the Wilsons a lift as far as Augusta, Ga., in his airplane, Columbine III, to start them on a Florida vacation.

How General Eisenhower feels about Charlie Wilson was made clear in the 1956 campaign. As a campaign stunt, people from various parts of the country were brought to Washington to ask him questions in a television show. A garment worker from the Bronx, Isador Seigel, asked the President about the "big shots" in his Cabinet. Did he feel the same way about working people as he did about these millionaires?

Said the President:

"Now, I have three or four very successful businessmen in the Cabinet. The Defense Department is spending something like 40 billions a year of our money. . . . Who would you rather have in charge of that, some failure that never did anything or a successful businessman?

"I got the head of the biggest company I could go to, and said: 'Will you come in and do this for us?' I think he has been doing a good job."

• • •

There are signs that Charles Wilson will be retiring before long. He is four months older than the President and will be 67 in July. Nevertheless, he insists on working 10 and 12 hours a day. His wife says she thinks he has "earned the right to take it easy now."

A reporter asked Secretary Wilson recently if he was going to leave the Pentagon.

"Sooner or later," said Wilson, "every one has to."

This much is certain: If he does leave soon, it won't be because he was pushed.

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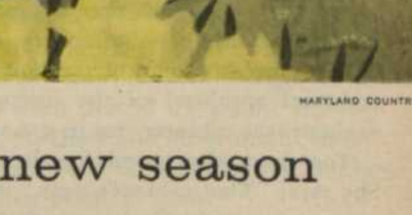

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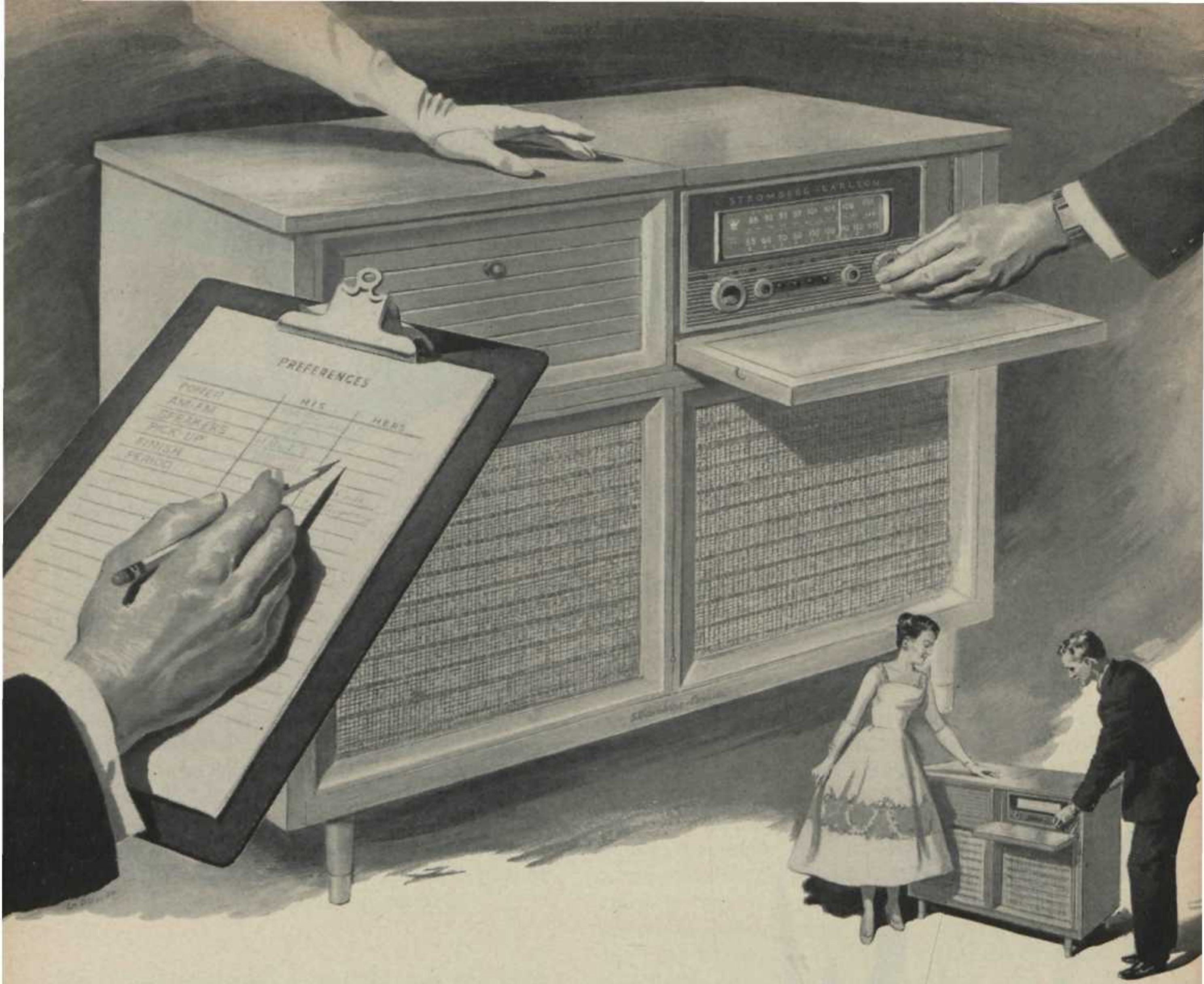

"Proof of the pudding"—before it's made!

Market research is a tried-and-true preliminary to most manufacturing. In some cases—as in this one—it can uncover problems which a more superficial study might easily overlook.

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I.N.P.

CONTROL TALK shows Ike's philosophy

Advisers tell reasons behind President's mention of controls, why he doesn't want them, what he gained from resulting scare

HERE IS THE behind-the-scenes story of what may become known as the great controls scare of 1957.

As told by presidential advisers in private conversations, the story explains the Administration's entire philosophy of how to keep the country free, productive and growing.

Concern over the possibility of stringent federal economic controls was set off by the President's reference to them early this year in congressional messages and at press conferences. Confusion as to just what the President meant compounded the concern.

Now two facts can be stated authoritatively:

▶ Neither the President nor his economic advisers had, or has, any intention of imposing direct economic controls now or in the future, barring war. In fact the President and the men on whom he relies for economic advice consider direct controls in peacetime not only undesirable but dangerous.

▶ But—and this is important—the President's inflation warnings were based on genuine concern over inflationary pressures in the economy and a feeling that something had to be done about them.

What the President and his aides wanted to do—and may have succeeded in doing—was to focus attention on what they regard as an economic fact of life: Prosperity, as well as depression, can have economic problems. One of the most basic of these is the maintenance of continued economic expansion without excessive inflation.

Key administration officials say in private that the President had two immediate objectives in issuing his progressively stronger inflation warnings:

First, he wanted to convince unions and management that it is to their long-run advantage to go easy on wage and price increases. He wanted to publicize the idea that labor and business should consider the interest of a third party—the public—in their wage-price decisions and to warn that, if the public interest were too long ignored, business and labor might suffer. He wanted to draw out a body of editorial and public comment to support this point of view.

Second, the President wanted to stimulate thinking on the whole problem of how increases in productivity—that is, in the average output per man per hour—should be reflected in wages and prices; how much of the benefit of higher productivity should go to labor, how much to capital, how much to the public.

To provide the raw material for such thinking he wanted to spur statistical research on how to measure productivity and how to evaluate the benefits created when it increases. The President's concern over the in-

I. N. P.

THE PRESIDENT:

"Unless this happens (business and labor cooperate against inflation) the United States has to move in with so-called controls"

flationary aspects of the economy had been growing for nearly a year. The Federal Reserve Board's restrictions on credit had slowed but not stemmed the tide. The Board considered an additional rise in the rediscount rate last fall, but abandoned the idea in the face of the approaching election. Then Christmas buying began and the Board hesitated to intervene.

When 1956 ended, price increases were gaining momentum. What's more, government economists forecast continued price rises beyond 1957 as economic expansion maintained heavy demand for scarce commodities.

That was the situation when Mr. Eisenhower decided to do a little missionary work. So in his State of the Union message he disclosed his concern over the inflationary forces at work.

While noting that prosperity was at an unprecedented peak and that the economy was generally "strong, expanding and fundamentally sound," he warned that "in a prosperous period the principal threat to efficient functioning of a free enterprise system is inflation."

The government's job in such a situation, he said, is "to live within its means" and to "utilize only a prudent share of the nation's resources." But, he continued, this effort to guard the integrity of the dollar must be matched by private efforts.

He called on leaders in business and in labor to think well on their responsibility to the people.

"With all elements of our society, they owe the nation a vigilant guard against the inflationary tendencies that are always at work in a dynamic economy operating at today's high levels. They can powerfully help counteract or accentuate such tendencies by their wage and price policies."

Then came a somewhat veiled warning. If we fail to discipline ourselves, said the President, "eventually there will be increasing pressure on government to redress the failure. By that process, freedom will step by step disappear."

A similar but briefer warning was inserted the next week in the President's budget message. The prospects for continued economic growth are bright, the President said, providing both government and private groups do their part to alleviate inflationary pressures. After mentioning what he thought government should do, he added that "business and labor leadership must earnestly cooperate—or what the government can do at a time like this will not prevent inflation."

The next week, in his formal economic report to Congress, the President again dwelt on the strains on the economy and on the responsibilities of the individual "in his own economic activity and in his organized activity with others" to fight inflation.

Failure to accept these responsibilities, he warned, "could lead to demands that they be assumed by government, with the increasing intervention and loss of freedom that such an approach inevitably entails."

Finally, on Feb. 6, the President put the exclamation mark on all that had gone before. At his press conference he was asked to comment on how the increase in oil prices fit in with his earlier requests that business work against inflation.

The President replied that he had not had a report on the reasons for the oil price rise. He added:

"Now when I said business and labor must exercise their authority in conformity with the needs of the United States, I wasn't asking them to be altruistic. Their own long-term good is involved and I am asking them merely to act as enlightened Americans.

"Unless this happens, the United States then has to move in more firmly with so-called controls of some kind, and when we begin to control prices and allocations and wages and all the rest, then it is not the America we know. . . ." On the President's words, the stock market broke sharply and many businessmen prepared to run for the woods.

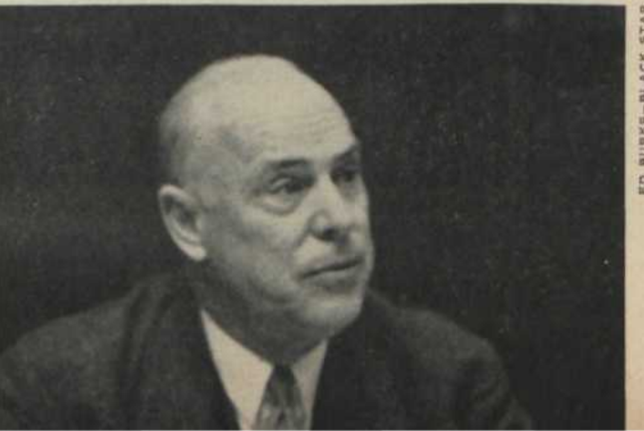
The next day, concern was changed to confusion. Commerce Secretary Sinclair Weeks told a press conference: "The Administration is against controls. No studies of (peacetime wage-price controls) are being made. No plans are being made. There is no disposition in the Administration to take that road."

A few days later, Gabriel Hauge, the President's special assistant for economic affairs, declared that "the President's statement, as I read it, is part of a general appeal to the public" for policies that would avoid the need for wage-price controls.

"I do not interpret his statement as any prediction" of over-all price and wage controls "now or in the forseeable future," Mr. Hauge said.

SECRETARY WEEKS:

"The Administration is against controls. There is no disposition to take that road"



ED BURKS—BLACK STAR

ECONOMIST HAUGE:

"While we are doing pretty well in absorbing the impact of our defense program, it is contributing to inflation in some areas"

Members of Congress were quick to serve notice that the President had little chance of getting controls if he should ask for them. A leading Democratic senator said "there is not the slightest possibility unless prices go hog wild." A top House Democrat snorted that "there's no use to them."

Said House Banking Committee Chairman Spence, Democrat of Kentucky: "We caught hell for putting on controls in wartime. How can we talk about controls in peacetime?"

But the congressional reaction, Administration aides say, is academic because the White House has no intention of seeking controls. The meat of the presidential position, they insist, is: "Their [business' and labor's] own long-term good is involved and I am asking them merely to act as enlightened Americans."

The fact is the President and his economic advisers are pinning much of their hopes for combining prosperity and economic stability on just that—the enlightened self-interest of both management and labor. They are bargaining on the ability of union leaders and business leaders to see their long-range good, and to act accordingly. They say that, if the hullaballoo about controls focused the spotlight on the need for and advisability of this enlightened self-interest, then it will have been worth the effort.

As the President's economic trouble shooter, Mr. Hauge's major concerns these days include what he calls "the problems of prosperity."

For a long time, Mr. Hauge told NATION'S BUSINESS, the economic policy of the free world has been oriented toward averting deflation and depression, toward facilitating expansion. The basic fear was of an economic downturn.

"It is fair to say," Mr. Hauge continued, "that there is now little pessimism in this country about the ability of our kind of economy to be self-regenerative so far as levels of output, income and employment are concerned. We feel generally that in the past five years we have staged a good performance. But some problems of prosperity need attention, too."

For one thing, he went on, "We must correct the unrealistic expectation that the economy has reached the point where it will require no adjustments, where the loss has been taken out of the profit and loss system. There is a feeling that everybody should succeed, and, if somebody doesn't succeed, the government should step in and see that he does. Actually, we need not only prosperity but healthy economic muscle tone, able to take adjustments even in major industries. We must be careful to preserve that capacity to absorb adjustments and make our growth a healthy one."

Another big need, he says, "is to organize the economy to carry a large defense load. While we are generally doing pretty well in absorbing the impact of our defense program, it is contributing to inflation in some areas by causing scarcities of some types of labor and materials." This leads directly into Mr. Hauge's major "prosperity problem"—how to achieve growth with price stability.

"We must determine," he believes, "the optimum rate of growth desirable for our economy. Some people say the economy is not growing fast enough, that we should produce every single dollar of gross national product we can squeeze out. This is really a form of pessimism about the American system. Such a great rate of growth can be achieved only by the intervention of the government with big spending programs.

"I feel that the optimum we must find is a rate of growth that can be sustained without inflation."

Significantly, a similar statement was advanced by the Democratic-controlled congressional Joint Economic Committee in its recent report on the President's economic message.

REP. SPENCE:

"How can we talk about controls in peacetime?"

"Developments in 1956 and current prospects for 1957 bring into focus the problem of maintaining stability of the general level of prices during periods of full employment," the report declared. "To curb general price increases, the rate of expansion of total spending must be held down to the rate of increase in real output. Otherwise, intensive bidding for resources and goods will drive up cost and price structures."

The committee cautioned that "such restraints, however, may in the short run retard the rate of expansion in employment and production. It is important that the character of the restraints does not impair our ability or incentives for adding to our stock of resources over the long run."

At another point, the committee said it "considers the problem of achieving (continued on page 74)

ator McNamara (D.-Mich.) Senator Ives (R.-N.Y.) Chairman McClellan (D.-Ark.) Counsel Robert Kennedy

HERE'S WHAT LABOR PROBE MEANS

Senate committee invites your help in trying to correct these abuses of labor's economic power

THE SENATE investigation into union labor activity promises to influence congressional consideration of legislation in other fields as well as those usually associated with unions.

Present laws which may be affected include Taft-Hartley, Hobbs antiracketeering and Sherman antitrust. The impact seems likely to extend to welfare fund legislation and to the proposed expansion of minimum wage coverage. New legislation which the committee has announced it will introduce to cope with special situations as they are uncovered could conceivably reach into even other areas.

The objective of the Senate Select Committee, headed by Sen. John L. McClellan, Arkansas Democrat:

To stamp out undesirable union practices by getting better enforcement, plugging loopholes in existing federal laws and, where necessary, write new legislation.

The committee has a $350,000 appropriation to carry out its work. Its 20-man staff is continuing to

Senator Kennedy (D. Mass.)

Information welcomed—Senator McClellan urges businessmen who have been made the victims of labor racketeering to bring the facts to the attention of the Senate Select Committee on Improper Activities, Senate Office Building, Washington, D. C.

"While most of our mail is from union members complaining of wrongdoing by union officials," Senator McClellan told *Nation's Business*, "we welcome any information from businessmen who have personal knowledge of improper activities.

"Racketeering materially increases the cost of business operations. This cost ultimately must be passed on to the consumer, thus involving the public interest."

Estimates are that labor racketeering costs business and consumers $1 billion a year. In the New York area alone estimates range from $50 million to $350 million a year

comb the country for evidence of questionable activity in the labor and management field.

Some of this activity is illegal now, some is not. Some involves internal functioning and gangster control of unions. Other cases involve government contracts and relations with businessmen, sometimes including collusion.

The questions already raised and the law or legislation affected include:

Taft-Hartley labor law

Should union financial reports filed with the Department of Labor be scrutinized and made public?

Senator McClellan, in obtaining contempt citations against four officers of the Teamsters Union, told the Senate that some unions were "not filing truthful and accurate reports of their financial transactions." About 230 national and 20,000 local unions file financial reports annually. No check is made of them.

Should secondary boycott restrictions be eased, as requested by President Eisenhower, or tightened?

The investigation will disclose various secondary boycott tactics not reached by Taft-Hartley because of loopholes.

Should Congress outlaw compulsory union membership or, by nullifying right-to-work laws in 17 states, force more workers into unions?

Should organizational picketing be banned?

Such tactics have been revealed as a tool labor racketeers can use in extorting money from small businessmen or forcing them to sign union contracts against wishes of the employes. Pickets in these cases are usually not employes.

Should the featherbedding curb be tightened so as to prohibit unions from insisting on employment of unnecessary help?

Hobbs Antiracketeering Act

Should this law be repealed or softened? It prohibits extortion affecting interstate commerce or the movement of goods in commerce. The Department of Justice used it to convict 89 individuals, most of them union officials in various industries, during the first Eisenhower Administration.

Sherman Antitrust Act

Should union activities in restraint of trade be curbed, either under antitrust or some other law? Except when they act in concert with employers, unions are exempt from antitrust restrictions by the Clayton Act.

Unions are known to engage in various restrictive practices such as enforcing price maintenance, resisting use of new tools, new products and prefabricated articles, limiting markets geographically.

A study committee of the Attorney General two years ago, although recommending continued union exemption from the antitrust law, also recommended legislation to cope with union-enforced market

(continued on page 102)

WHAT FUTURE MANAGERS WILL DO

Experts peer ahead to 1965, find significant changes in development, responsibility

For nonconformists—laurels

IN APRIL, 1965, one of your company's executives will be lecturing at the state university. A member of a federal agency will be sitting in for him while he's away. A bright nonconformist whom nobody likes may be assistant to the president of your firm. A woman could be comptroller.

That's a glimpse at the future of management development as academic and business experts see it. Here are some more of their predictions:

▶ Your company will have a specific budget for developing executives. You may spend time daily coaching subordinates and being coached.

▶ Your firm will have a more accurate system for measuring everyone's performance and potential. Authority and responsibility will be greater down the line.

▶ For any important post there will be several possible successors, some from different departments. No one will know for sure who is the crown prince.

▶ The foreman's job will be sought by the college graduates you have just hired.

▶ You will pay young, inexperienced managers fat salaries, but the pay level won't rise as sharply later on. Top executives will get big incentive bonuses on a deferred basis.

▶ Your employe relations will be tough-minded.

"The asset which towers above all others in business," J. C. Penney often declared, "is not money, not buildings, not land, but men." And the essential duty of a manager, he said, "is to build another man to take his place."

Most companies today are aware of this. A majority of firms with more than 10,000 employes have adopted some sort of formal executive development program in the past five years. In the years ahead, management training experts say, changing techniques, pressure on the supply of executives, closer relations of business, government and education and other causes will bring considerable changes in the management function and the training needed to carry it out.

One of the broad aspects of developing executives, according to Earl Brooks, Professor of Administration at Cornell's Graduate School of Business and Public Administration, is building the man not only in his company, but in his profession and his community. The executive will have to continue to educate himself throughout his career. He will have to keep informed on local, national and international issues. His obligation to his community, government, professional and trade groups and the school system will grow.

More businessmen will spend more time on college campuses, both educating and being educated. By 1965, a half million college students will be enrolled in business courses, compared with a little more than 300,000 today. Schools will be short about 1,800 business teachers, and many businessmen will be teaching part-time. More businessmen will be spending more time in class, taking new courses every few years, as more executive training programs are set up both in colleges and companies. And more teachers and students will work part time in plants and offices.

There will be more systematic borrowing back and forth between business and government, too, in the view of Dr. Eli Ginzberg, professor of economics, Graduate School of Business, Columbia University, and study director of the National Manpower Council there.

"This two-way street will become much wider," he

For executives—coaching

says. Big government and growing regulation of business will make contacts and knowledge in each field valuable to the other.

By 1965, Professor Brooks predicts, a current trend in selecting and promoting executives will be reversed.

"Today," he notes, "too much is made of the firm handshake, the broad smile and conformity.

"In promoting, we tend to put too much accent on selecting those whom no one has anything against," cautions Ewing W. Reilley, director of McKinsey & Company, management consultant firm, and president of McKinsey Foundation for Management Research. "Why, some companies wouldn't have made Charlie Wilson an executive because he lacked good public relations," he declared. "Often the head of things is the man with terrific strengths but who also has certain limitations."

Great discoveries, says Professor Brooks, are usually made in the mind of one individual who has a lonely insight into problems. So we have to encourage the dissenters as well as the team workers. In the future, the individualists, the intelligent searchers, the tradition-breakers, who don't get along with others will be rewarded for their contributions. Results, not personalities, will count. More women will be top executives, too, Dr. Ginzberg believes.

Ralph N. Campbell, professor of Industrial and Labor Relations at Cornell, agrees that "companies are growing toward more conformity, and it shouldn't be." But he adds that he'd be surprised if individuality is stressed by 1965. "It's too easy to put people in molds."

Professor Brooks puts great store in coaching as an executive training technique. The responsibility of every executive, he says, is to help his subordinates develop by example, coaching, standards of performance, and advice. "We can learn a lot from athletic coaching." Whether in athletics or business, the coach or executive plans moves around the men he has, balances strengths and weaknesses, prepares them to meet unexpected situations, provides for continuity, teaches to conserve energies, instills enthusiasm, scouts the opposition, patterns corrective action to the individual.

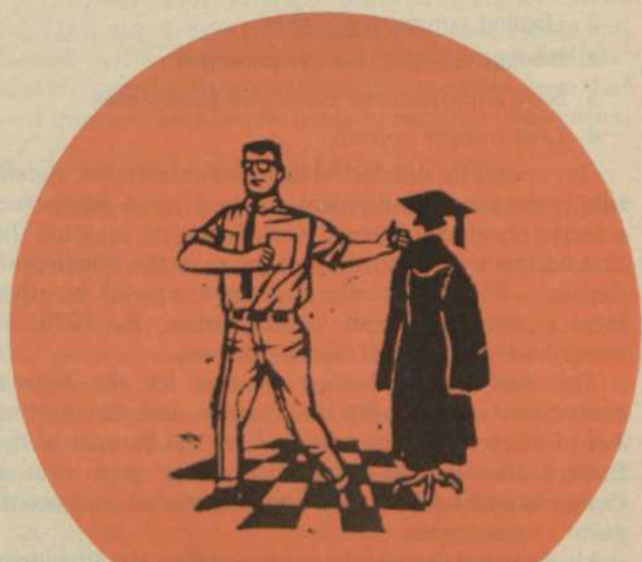
In coming years, companies will have budgets for developing executives, according to Professor Brooks. Not only will there be cost and quota records but development records. There will be audits on men as on money. When a president inspects a plant, besides asking the factory manager about production, he'll ask what he's doing to develop his men.

Problem-solving sessions in groups and between individuals of all levels on the job will increase. "Real development of skills and knowledge comes through accountable work assignments," Professor Brooks says.

"You have to tie coaching and training into real problems," Mr. Reilley insists. "Knowledge must be work-oriented." The strength of a group should be utilized, Mr. Reilly says, because in a group there is playback on what is being done and how improvement is being made. "I hope there will be more getting together and discussing problems, as doctors get together to discuss operations."

There is disagreement on how companies will spend their management development funds.

Professor Brooks predicts fewer company institutes and more university-based development programs in the next decade, such as, for example, Cornell's three-week course in business *(Continued on page 96)*



For college grads—foreman jobs

You can **check federal spending**

Here are 6 steps which could help get the budget back to a reasonable size

IN ALL THE UPROAR over the President's budget and its effect on the economy a major fact has been overlooked:

Our control over federal spending has broken down.

The Constitution places this control in Congress. Any effort to get spending back to reasonable size must begin there. The situation is not hopeless but it will require a new, comprehensive and concerted approach.

This approach will include at least six major changes.

1. An integrated budget
2. A simplified budget
3. Unified committee action
4. Budget training for congressmen
5. New congressional rules and procedures
6. Less budget secrecy

Our spending difficulties are understandable. Scientific budgetary development in the United States has a relatively short history. New York City adopted the first budget system in the last years of the Nineteenth Century. From there the movement spread to other local governments, and to the states. By 1920, 44 states had some sort of budget system.

The first formal budget system for the federal government came with the Budget and Accounting Act of 1921. This act provided for the Bureau of the Budget, the General Accounting Office as an arm of Congress and set up several organizational and procedural requirements.

Most important was the provision that the President submit to Congress each year a budget describing estimated spending requirements and revenues anticipated to support them.

Since 1921 the budget process has undergone numerous transformations. Under President Roosevelt it was elaborated and refined. Through the efforts of Budget Director Harold Smith, the federal budget began to achieve major significance as an instrument of executive planning and control.

The principal move to improve congressional budget control came when Congress sought to reorganize itself under the Legislative Reorganization Act of 1946.

This Act was the culmination of extensive study by the Joint Committee on the Organization of Congress —better known as the La Follette-Monroney Committee. The Committee's report dealt, among other things, with "strengthening fiscal control." To do this it proposed adoption of annual federal budget totals, changes in the organization, procedures, and staffing of the appropriation committees, annual general service audits of each agency by the General Accounting Office, discontinuance of indefinite appropriations, and the elimination of legislation in appropriation bills.

Some of these features found their way into law but benefits were limited. For example, the Act provided for a legislative budget, embodying the concept of establishing budget totals, but the time schedule allowed for this procedure was wholly unrealistic.

Further, the Act did little to improve the auditing function and activities of the General Accounting Office. Indefinite appropriations are still with us and language in appropriation bills still lacks simplicity.

Despite its failures, the Act is significant because it was the result of the only official major study of congressional actions on the budget in recent years. Similarly, it made the only recent multiple or comprehensive approach to the problem of better congressional control.

The two Hoover Commissions, by their charters, were limited to the study of problems of organization and management of the Executive Branch. However, since many aspects of budget control interweave the actions of both political branches of government, they made some observations regarding congressional participation in the process.

The Budget and Accounting Procedures Act of 1950 and subsequent administrative orders resulting from the first Commission's report made many major improvements in budget methods.

There were other incidental benefits. Popularized versions of the budget are now published, and every-

one has an opportunity to familiarize himself with budget proposals.

The second Hoover Commission also devoted itself mainly to the executive branch. It directed its guns on basic deficiencies in the organization of financial activities in that branch and the accounting systems providing the basis for budget actions.

These experiences stress the inadequacy of the approaches to strengthening congressional control over the public purse. The Legislative Reorganization Act of 1946 was too narrow in its scope and lacked political realism in some of the solutions it incorporated in law.

The Hoover Commissions gave little attention to the problems in Congress except to point out symptoms, such as a poor appropriation structure, large carryover balances, and an inadequate audit system, and partial solutions.

But the recognition of these symptoms is only the first step. Remedies can come only from a study by personnel completely familiar with over-all federal budgetary processes—either practitioners or scholars—under the direct supervision of Congress, and with enlightened congressional support. Each of the areas which such a study might explore has appropriate and realistic solutions for bettering congressional control of spending. Some of these solutions have long been proposed, some tried, and some have failed for various reasons. However, the fundamental truth in each still remains. Further exploration of each can result in returning federal spending to congressional control where it belongs.

1. An integrated budget

No sound businessman adopting his annual budget would consider acting on only his sales figures, materials figures, and so on with no thought of their relationship to each other or to the master budget of his company or corporation. Nor would an individual, in his household budgeting, review and decide on his food budget or clothing budget without considering his other needs and his expected income.

Yet Congress, in reviewing and adopting the largest business budget in the world, does exactly this! At various times during its session it considers and acts on from 12 to 15 separate spending bills supporting each fiscal year's budget. Supplementals and deficiency bills may come as much as a year after the original action has been taken. Nor can these bills be considered in relation to anticipated revenue, because each spending bill only covers a part of the budget.

No one, not even Congress, knows how much spending will be authorized for a fiscal year until the last supplemental or deficiency bill has been passed. Furthermore, no one knows with certainty whether, as a result of these actions, the budget will be balanced at the end of the fiscal year in terms of spending authority granted; or whether the Treasury will spend more than it realizes in revenues.

Several solutions to this situation have been suggested; some have been tried and found wanting. Yet the importance of this problem requires that we re-evaluate these efforts.

The two principal methods which were tried were the legislative budget provided for by the Legislative Reorganization Act of 1946, and the omibus appropriation bill, whose chief proponents have been Senator Byrd and Representative Cannon. The former provides for the establishment of a legislative ceiling on spending as a framework for consideration of each of the spending bills. The omnibus bill proposes simply that Congress consider the whole federal spending program at one time. It would also make possible an examination of spending in the light of anticipated income.

Despite its worthy objective, the legislative budget proved politically unrealistic. Thus the omnibus bill provides the major hope for solving the problem of piecemeal budget consideration by the Congress. It was tried for one year, but was not continued. Principal objection to it stemmed from the length of time it took to consider it and from the power it placed in the hands of appropriation committee chairmen. Its trial did not provide conclusive evidence of its inability to do the job. Adopted as a part of an over-all improvement program incorporating other major features, the omnibus bill holds great potential in enabling Congress to look at the whole budget and its parts in the proper perspective. It holds promise of great reward to the taxpayer.

2. A simplified budget

Simplifying the budget itself would go far in allowing it to be better understood. Although much improvement has come in the format and presentation of the budget since fiscal 1950, complexity and difficulty in comprehension is still a problem.

The terminology which has grown up with the system should be clarified, and the number of working terms reduced. A legislator should not be required to deal with or have to understand the highly technical terms which accountants and budget technicans use. Phrases such as "authorizations to expend from public debt receipts," "permanent appropriations," "indefinite appropriations," and similar terms should be avoided.

Further simplification and understandability can be built into the budget by changing the organization and format, and by redesigning and simplifying schedules. Experiments by state and local governments show that vast improvement can be made in budget presentation.

3. Unified committee action

Congressional action on the budget is now guided by the rule of separates. Two separate appropriation committees, two separate staffs review the 12 to 15 separate bills on the spending side of the budget. Three other committees are primarily concerned with the revenue side: Ways and Means in the House, Finance in the Senate, and the Joint Committee on Internal Revenue Taxation. Another, the Joint Committee on the Economic Report, advises on fiscal policy. Such an arrangement wastes time and effort, is costly, and results in ineffective congressional action.

A Joint Budget Committee, adequately staffed, would be a feasible solution. Several prominent representatives and senators, among them Senator McClellan (Arkansas) and Representative Lipscomb (California) advocate this type of arrangement.

This change would not hamper or be contradictory with the traditional roles of both the House and Senate. The Joint Budget Committee would assume the same advisory role as other committees, and each house would have an opportunity to judge spending requests independently—but with *(continued on page 110)*

WHERE YOU'LL FIND WORKERS, MARKETS

Projections to 1965 show uneven U. S. population growth

YOUR FUTURE markets and the supply of available labor are reflected in this estimate of state population changes to 1965. The maps on these pages show changes for various age groups, based on recent trends in births, deaths and migration.

They point up the fact that the nation's population growth in the future, if it follows established trends, will be unevenly distributed. Some states will register gains of five per cent or more annually while others may actually lose population.

Similarly, you can look for wide variations in changes for individual age groups.

Total U. S. population recently passed the 170 million mark.

Our population is now growing by almost 3 million a year.

Maps group states by three levels to show their relative growth in three age categories of population. Highest level states are those growing fastest; middle level, average growth rate; lowest level, slowest growing. Figures show projected percentage increase by 1965

Persons under 18 years of age will increase about 20 per cent by 1965, if recent birth trends continue.

Greatest increase is expected in the Atlantic Coast states from Connecticut to Maryland, in Ohio, Indiana, Michigan, Florida and in the far western states. Smallest increases will be in the Upper New England and South Atlantic states, and in Iowa, North Dakota, Oklahoma and Idaho.

Working age persons (18-64 years) will increase about 9 per cent, reflecting the low birth rate of the 1930's. Decreases are expected in five states: Maine, Vermont, Mississippi, Arkansas and Oklahoma. Fastest growing area is the Southwest. Fastest growing states are Nevada, Arizona and Florida, each with gains of 25 to 30 per cent.

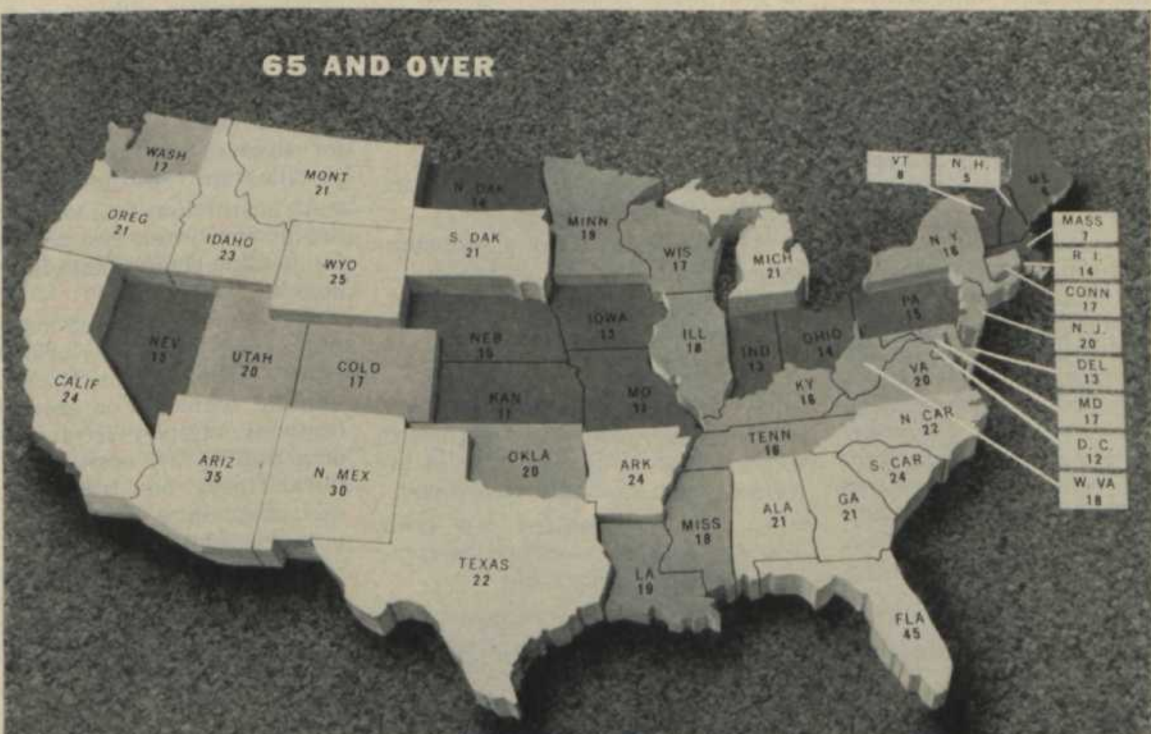
The lower New England, southeastern mountain, and great plains states will show smallest increases.

Persons aged 65 and more will increase about 18 per cent. Greatest increases will be in Florida, Arizona, and New Mexico, each with gains of 30 to 45 per cent.

The southeastern states, with small increases in working age population, should show substantial gains in numbers of older persons.

Smallest increases are expected in New Hampshire, Maine, Massachusetts and Vermont.

—Fred D. Lindsey



REDS GRABBING YOUR BUSINESS KNOW-HOW

Baffled by economic problems, communists are looking to capitalism for solutions

IN A DESPERATE attempt to meet the severest test that communism has ever faced, the Soviet Union is now spending more than $100,000 a month to learn techniques of progress from the capitalist economy it hopes to defeat.

The communists want to know everything about your business. From the most advanced technological processes used in industry to the simplest elements of office management, the Russians want to know how U. S. capitalism works.

This frenzied search for America's business and industrial know-how is the result of severe economic stress which is a growing menace not only in Russia but throughout the communist orbit. Now—with the clear prospect of even stormier days ahead—communism is suffering from the ailments which Marx predicted would cause the fall of capitalism.

The communist outlay of more than $1 million a year goes for books, magazines, newspapers, scientific and technical reports, and economic documents of every description, produced both by government and private agencies. Large quantities of free materials, including copies of speeches by businessmen, road maps, telephone books, publications of port authorities, and advertising brochures, also are obtained by the communists for shipment to Moscow.

"One registered communist agent requested 10,000 publications from just one agency of the Commerce Department last year," says Erwin Seago, director of the government's Office of Strategic Information.

Chances are the Russians already have, or will seek to get, a copy of the annual report of your company, as well as any other information they can lay their hands on about how to operate a business or industry successfully. You can even expect them to ask for a free subscription to your firm's employe magazine or newspaper.

Chances are, too, if you operate a defense industry, that someone—an agent of one of the communist bloc nations—is a subscriber to your community newspaper.

The Reds have three chief interests:

1. To obtain any kind of economic information.

2. To obtain industrial and technical know-how.

3. To learn scientific processes.

Here are some recent examples:

▶ A steel company has been asked to participate in an exchange of information on steel mill operations.

▶ An aircraft company has been asked to send free copies of the company's employe magazine.

▶ Another firm has been asked how it makes welding rods.

▶ A letter requests a catalog of equipment manufactured for use in preparation of maps, such as photographic equipment, photogrammetric instruments, surveying and geodetic instruments, other apparatus.

▶ An electric power producer was asked for information concerning power connections between producers serving various areas.

▶ A company was asked for a list of its medicinal products.

▶ A letter from Warsaw said, in these precise terms: "Dear Sirs: Would you send my yours bulletin of telemetering with magnetic tape. It will be very usefull in my publicational activity. Please to accept my thanks in advance."

▶ A company executive was asked for copies of lectures on metallurgy, metallography and foundries.

▶ A construction firm was asked for details concerning the process used for stapling ceiling materials in new homes.

Sometimes a request may be accompanied by some printed materials from either Russia or a satellite nation. For example, one company recently received a copy of a publication entitled "Czechoslovak Heavy Industry." It contained such chapters as "Horizontal Transport Equipment in Mines," and "Czechoslovak Boilers for Burning Low Grade Fuels." The publication has numerous pages of complex drawings, although there is no indication of anything new or useful among them.

The indication here is that the

publication was intended as a lure, to get something useful from the American firm.

In the past two or three months a number of firms have received letters from Red China. Some come from individuals, some from libraries. An electronics firm got this letter from Peiping:

"Kindly send us two copies of form 1154 on digital relay generator as advertised in magazines, and also on your newest products, if any. Thanking you in anticipation."

A number of requests for printed material to be sent on to Red China have come from a communist front book shop in The Netherlands.

Other requests come from persons to be addressed at post office boxes in Europe. Some come from such places as the Central Engineering Library in Prague.

In addition to direct purchase or request, large quantities of printed materials are sent from the Library of Congress and from the Smithsonian Institution in exchange for certain printed materials from Russia.

One agency which buys additional materials for shipment to Russia is the Four Continent Book Corporation in New York City. A registered agent in the United States for the distribution of Soviet periodicals, its newspaper and magazine catalog lists 558 Russian titles available here. These include such Russian newspapers as *Pravda*, *Trud*, *Soviet Trade*, and other publications in the fields of science, economics, agriculture, medicine, and art.

In the most recent agency report to the U. S. Department of Justice, Four Continent reported that in six months it had paid $48,695.78 for the purchase of books, periodicals, other printed matter and records for sale in the United States.

However, during the same period the company reports that it spent $177,738.34 for the purchase of American books and subscriptions to American periodicals for shipment to the communists. The figure jumped from $75,005.40 for the preceding six months, during which time the company paid only $37,736.15 for printed materials from Russia to be distributed in this country.

Amtorg Trading Corporation, New York City, handles purchases of many things for the Soviets. Here are some examples:

▶ The company spent $1,519.50 as payment for copies of *Official Cotton Standards*.

▶ Shipping charges for cranberry picking machine, $91.

▶ Freight payments for shipment of house, $11,209.38.

▶ Purchase of dictionaries, $145.85.

▶ Transportation expenses for samples of fish products, $10.30.

▶ For purchase of various literature, $243.69.

▶ Freight charges for agricultural shipment, $9,265.

▶ Expenses for mailing samples, $36.71.

Informed estimates in Washington are that between 3 and 5 million pieces of printed matter will be shipped to Russia and satellite countries during 1957. Almost every piece will be nonclassified information which any person in America can obtain, either free or for a few cents.

Significantly, it is also estimated that 90 per cent of Soviet intelligence information is obtained from newspapers, magazines, industrial publications, and books—nonclassified information.

What the Russians want are the keys to capitalism's success, and they will go to any length to get what they want.

In Russia the newspaper *Pravda* has advised Soviet scientists to concentrate on trying to learn something from their capitalist counterparts.

Although half the Soviet government exists solely for the purpose of managing state-owned industries—some 200,000 factories—the socialist system is bogged down both with shortages and oversupplies.

Attempting to unscramble the industrial confusion, the collective leaders—since Stalin died—have been tinkering wildly with the economy.

Alexander Nove, a noted British authority on the Soviet economic system, says:

"The Soviet economy is under strain, and certain defects from which it suffers may prove incurable."

Dr. Harry Schwartz, specialist on Soviet and satellite affairs for The New York *Times*, recently told a subcommittee of Congress' Joint Economic Committee:

"Russians are faced today with what is in many ways the most serious political problem in their history.

"Their people want a better standard of living and they want it fast."

Allen W. Dulles, director of the government's Central Intelligence Agency, describes the current Kremlin crisis as having three parts:

1. Kremlin bosses are having problems of leadership among themselves.

2. They have been having trouble with their own, as well as satellite, people.

3. They seem unable to deter the continued growth of free world unity.

What Moscow faces at home is a revolution of rising hope and expectations.

"When a tyrant gives real hope to the oppressed," says Mr. Dulles, "then, in the long run, the position

(Continued on page 86)

Russia may drop about 30 industry-wide managers, set up new economic districts, name one manager for all production in each

MISSILES OPEN broad new market

Weapon produces versatile civilian products, creates need for companies with new ideas

THE MISSILE industry, which began as a precocious offspring of the aircraft industry, now promises to become even bigger than its parent. A vital and growing part of defense today, it will concern itself tomorrow with revolutionary methods of civil transportation. Already tracings are being made on drawing boards that will result in practical, manned space flight.

Even today, missiles are as different from airplanes as sailing ships are from atomic submarines. Their design and construction turn up problem after problem for which there is no background of experience on which to base a solution.

This demand for, and application of, new know-how is already having two effects on American industry. In the future these effects will be even greater:

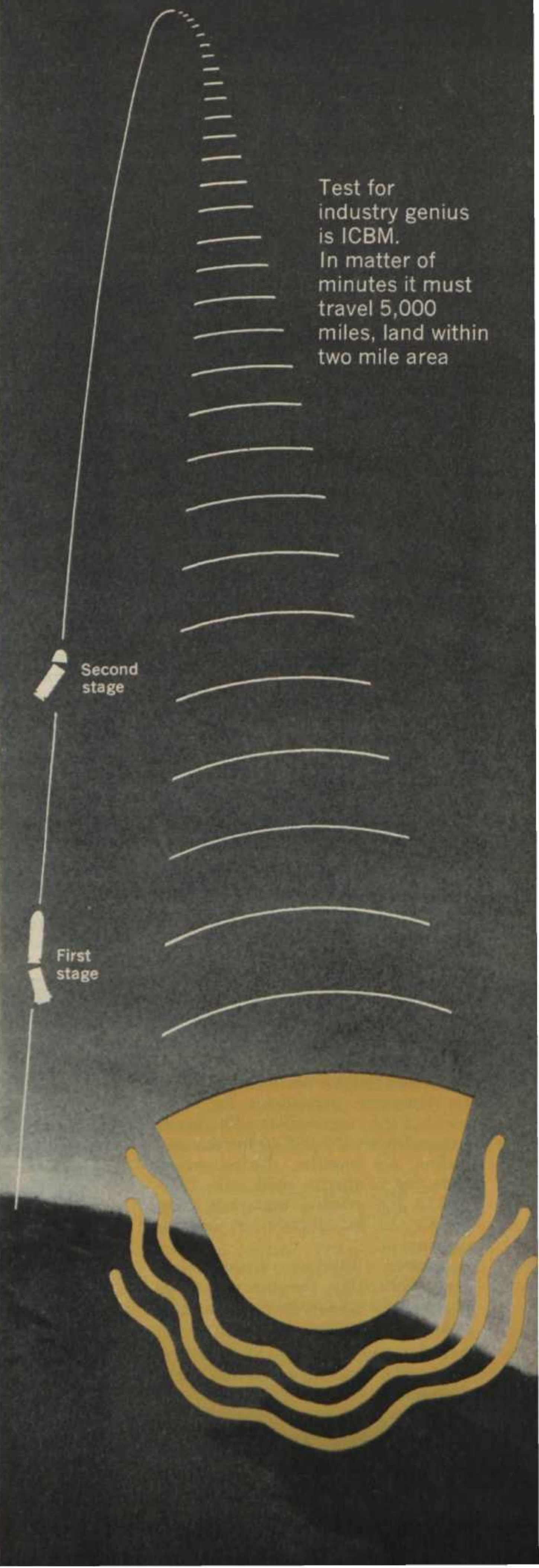
▸The missile industry offers a new, profitable market for a continually broadening segment of business.

▸It promises all business whole families of versatile, inexpensive materials, electronic gadgetry, new ways of doing old jobs, new ways to save time and work.

Already subcontractors who never dreamed of the aircraft industry as an outlet are becoming missile suppliers. They include small plastic toy manufacturers, a beer firm, a trophy plating outfit, fire-brick and dinner-ware makers, a camera company, chemical equipment producers, even the home workshop.

On the wanted list are such things as electrical components, cables, tubing, pumps, meters, hydraulic equipment, rivets, sheet metal, castings, forgings, machined parts, instruments, gyroscopes, nuts and bolts. No industry, even aircraft, ever needed this equipment so small, powerful, light, rugged or versatile.

Ceramics tough enough to line rocket engines and coat missile bodies heated to hundreds of degrees by the air at hypersonic flight pose problems that stump even experts in industrial furnace construction. Easy-to-work aluminum just can't take most missile temper-



Test for industry genius is ICBM. In matter of minutes it must travel 5,000 miles, land within two mile area

Missile needs from business include:

cables, tubes, electrical components, meters, pumps, castings, forgings, instruments, gyroscopes, chemicals, more reliable electronic and mechanical equipment, more versatile materials than ever.

Already suppliers vary from brewery, camera company, plumbing firms and dinner-ware makers to toy manufacturers, chemical companies, machine shops, plastic firms and radio hams

atures. So, other metals such as stainless steel, titanium and molybdenum crop up, each with its own set of special problems, such as plating, machining, rolling, welding and riveting. Molybdenum, for example, may have to be melted, cast, rolled and formed entirely under a special atmosphere. Stainless steel honeycomb must be brazed under hydrogen. These processes are not only costly, but inherently dangerous.

Special plastics, surprising even to the plastics industry, promise to do jobs even these unusual metals won't do. They'll be laminated in some cases with not only glass fiber, but quartz and metallic screens. All are expensive processes now, but, developed for missiles, they'll one day be standard operating procedures in all manner of civilian applications.

A look at the environment, the working conditions, of today's prototype and tomorrow's production missiles gives a good idea of why missile needs reach out so far into industry; why their perfection will mean startling changes in our way of life.

An extreme case is the Inter-Continental Ballistic Missile, ICBM. Two are under development and scheduled to make their test flights within 18 months. They are Atlas and Titan. As weapons, they are terrifying. As research and development projects, they're "impossible." As production items, they're even worse.

Here's what the fantastic ICBM is like: In 45 minutes, it will deliver and explode a thermonuclear warhead within two miles of the point of aim 5,000 miles or more away. Its 250,000-pound thrust first stage engines will accelerate it at maybe 100 times the force of gravity and send it streaking up through the stratosphere at many times the speed of sound. When the engines burn out, they and their fuel tanks will drop off, and the second stage engine will fire, giving the vehicle a new burst of speed.

By the time these burn out and drop off, ICBM will be hundreds of miles into outer space. Now only the warhead remains, a blunt hemisphere, maybe eight feet in diameter. It coasts up and onward like a baseball knocked for an out-of-the-park home run. It reaches the top of its trajectory maybe 1000 miles above the earth's surface. Then it begins to fall. With no air to slow it, the warhead picks up speed at the rate of 22 miles an hour every second. Ten minutes later when it plunges into the denser air of the earth it will be traveling at between 16,000 and 20,000 miles an hour.

The air at its nose heats to more than 15,000 degrees F, 50 per cent hotter than the surface of the sun and hotter than anything man has ever created on earth except at the heart of a nuclear explosion. The heat pouring into ICBM's skin would produce power to supply a city the size of Seattle with electricity. The hemisphere glows white-hot like a meteor and begins to melt and vaporize. Two thousand feet over the target its lethal payload explodes.

Acceleration in the early stages of ICBM's flight would smash the ordinary household radio flat. Vibration from the rocket engines is without precedent in man's experience. Electronic equipment, precision gyroscopes in the inertial guidance system, valves, tubes, pumps that push a ton of fuel a second, flow meters, fuel mixers, nozzles, everything must function perfectly despite the severe physical punishment.

Rockets, burning at the rate of tens of millions of blow torches must consume all their fuel and cease firing at precisely the right second. Combustion must be perfect throughout. If the speed is off a few miles at burn-out or if a mere one per cent of the original fuel load remains unburned, the missile will miss its target by hundreds of miles. For the same reason the angle of climb must be held within close limits. ICBM's guidance system is internal, automatic and cannot be jammed by the enemy. But once the last stage drops off, guidance *(continued on page 48)*

HOW'S BUSINESS? today's

An authoritative report by the staff of The Chamber of Commerce of the United States

AGRICULTURE

Due mainly to the operation of the Soil Bank, fewer acres will be planted to crops in 1957 than in any year since 1939. What the result in production will be, however, is far from obvious. In spite of the successive acreage reductions during the past four years due to drought damage and production control programs, total crop production in 1956 equaled the all-time record of 1948.

USDA's aim in this year's Soil Bank is to reduce planted acreage of the basic allotment crops by 20 to 25 million acres, by rental in the acreage reserve program. It aims through the conservation reserve to divert another 5 to 10 million acres from marketable crops to nonmarketable, soil-building uses. Total agreements put about 18 million acres into the acreage reserve, with the wheat, corn and rice sign-up still open. Another couple of million acres may be added as county and farm participation limits are raised in some areas. The total sign-up may fall a little short of the minimum goal of 20 million acres. That's less than six per cent of the total U. S. acreage planted to crops last year.

CONSTRUCTION

For the United States as a whole, statistics on construction contracts awarded are available for the first time. These statistics, indicative of future construction volume, come from the F. W. Dodge Corporation.

Contract awards in January totaled $2.3 billion, an increase of four per cent over January, 1956. Contracts in the 11 western states, representing the expanded coverage, totaled $521 million, an increase of 13 per cent over January, 1956, contrasting with an increase of one per cent in the remaining 37 states.

Contracts for nonresidential buildings totaled $914 million, up 16 per cent over January, 1956. Residential building contracts increased one per cent to $817 million. However, the number of dwelling units declined nine per cent to 64,313.

Heavy engineering contracts, at $569 million, were nine per cent below January, 1956. Public works and public utilities were lower, too.

CREDIT & FINANCE

Credit restrictions have curbed the upward momentum of the past year's business boom, but the outlook for activity in the first half of this year is favorable.

The Federal Reserve Board index of industrial production has hovered around 147 for the past several months. The gross national product reached a record rate of $424 billion in the fourth quarter of 1956, indicating strong tendencies for continued high levels of business activity.

Some cutbacks in plant expansion and government building are expected. Construction outlays declined seasonally in January but still set a record for the month. Private spending for new homes was 16 per cent below the previous month and nine per cent under a year earlier. Further easing in the mortgage money situation is possible and will add to increased activity in the construction field.

Passage of the "Financial Institutions Act of 1957" now before the Congress might lay the groundwork for an over-all monetary commission type study of relationships of all existing financial institutions and credit mechanisms.

DISTRIBUTION

Higher retail prices may be in store if proposals to cover retail and service employes by minimum wage law are adopted by Congress.

U. S. Chamber witness before the Senate Labor Subcommittee opposed extension in any form, saying coverage, no matter how limited, would ultimately hit all retail and service businesses, and hurt the little businessman.

Present high costs of goods and labor and low profit levels mean that any increase in wage costs—as a result of minimum wage coverage—will likely result in price increases.

Minimum wage coverage could mean rise in total wage costs for some firms of 15 per cent or more.

Recent rise in prices has made consumers price conscious. If customers resist higher prices, retailers will have to hold costs down by laying off marginal employes, curtailing customer services—or reducing already slender profit margins.

FOREIGN TRADE

Exports of U. S. goods and services abroad in 1957 will advance, if at all, much more slowly and their expansive effect upon the domestic economy will be less than in 1956.

The outflow of private American capital abroad is likely to continue high—if only to complete projects initiated in 1956—but it appears to have reached at least a temporary peak. U. S. military expenditures overseas also appear to have reached a peak in 1956 and will decline gradually as the backlog of offshore procurement contracts is reduced.

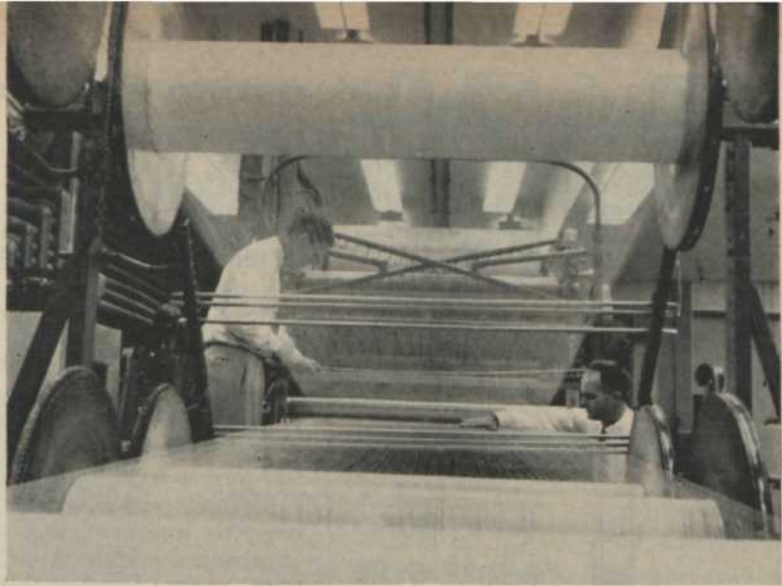
These forecasts come from the Office of Business Economics of the Commerce Department.

Pointing out that U. S. business with other nations expanded sharply in 1956, the OBE states that this development contributed to the rising demand for domestic production. The expansion of foreign demand resulted from a continued rise in foreign production and incomes, larger foreign dollar earnings to support the demand, higher foreign investments by U. S. private business, and accelerated U. S. government programs to stimulate exports of agricultural commodities.

GOVERNMENT SPENDING

All appropriation measures, with the possible exception of foreign aid, should be through the House by Easter. The real battle of the budget for economy advocates will begin in the Senate.

outlook


AUTHENTICATED NEWS

The relatively effective job by the House in curtailing spending will be jeopardized. All agencies hope for restoration of cuts by the Senate.

However, the Byrd budget will prove a significant deterrent. Its identification of line items which can be cut will serve as a rallying point for anti-spenders.

General protest over size of the budget and the apparent helplessness of Congress to bring reduction and tax relief will highlight the need for re-examination of the congressional role in controlling the purse.

Expenditures will take an upward spurt as the year-end drive to liquidate obligated funds get under way. Rate of obligations should also increase in a last attempt to spend appropriated funds before year-end limitation on such activity sets in.

Daily Treasury deposits should begin to show an excess over withdrawals by the end of the month although not consistently. Predicted surplus of $1.8 billion probably won't begin to develop firmly until May.

LABOR

The victims of unfair labor practices by union officials can expect temporary relief while the Senate continues its investigation of abuses and racketeering by union leaders. Although the quiz is not causing a complete halt to all secondary boycotts, illegal picketing and compulsory unionism demands, much of the pressure is lifting.

Union lobbyists are expected to make fewer demands upon Congress until time heals the wounds and the unfavorable public opinion brought by the disclosure of certain union activities. Professional unionists are shifting their legislative tactics for the present, fearful that labor legislation now might strengthen present laws rather than weaken them. A classic example is the sudden quiet in recent demands from the Teamsters to repeal the Hobbs Anti-Racketeering Act.

Union programs are merely being left on ice, however. Meanwhile civil rights legislation to protect nonunion workmen, stricter laws to safeguard neutrals against secondary boycotts, stronger Taft-Hartley requirements about fiscal information to be filed by unions and laws to deal with the abuses of power concentrated in some unions, are needs pointed to by evidence so far in the hearings before the special Senate Committee.

NATURAL RESOURCES

This Congress is not likely to reduce the percentage depletion taxation allowance for oil and gas.

There is the usual rash of bills to lower the percentage from 27.5 per cent to 15 per cent but for once the Treasury Department is not advocating a reduction.

Percentage depletion is a method of returning to the owner the value of his nonrenewable resource, the reserves of which cannot be determined in advance. The rate should be proportionate to the risks involved. It must be high enough to give the owner a reasonable profit and induce him to reinvest his returned capital in the search for new reserves. If it is not high enough, the industry will languish and die; if it is too high it constitutes an unreasonable profit.

Secretary of the Treasury Humphrey has recently said that he thinks that the rate for oil and gas is about right. He said: "Our new development of oil in this country, which is continually more expensive, . . . has just about kept pace over the past half dozen years or more with the consumption, so that it looks as though this thing was about working out practically."

TAXATION

Tax legislative prospects are still confusing.

Senator Fulbright, and 35 other sponsors, proposed to give tax relief to small corporations through an amendment to the bill to extend the Korean rates of corporate and excise taxes for another year. Before many days passed cosponsors began withdrawing. Some proposed less controversial amendments, others just wanted out. Senator Sparkman and Representative Patman keep plugging for a graduated corporate tax. Jenkins-Keogh bills to permit the self-employed to provide for retirement funds have run into roadblocks. The drive of the railroad brotherhoods to get tax-free treatment of the funds railroad employes put into their pension fund is also meeting unexpected resistance.

The Joint Committee on the Economic Report strongly urges tax relief for small business and is highly critical of the delay in implementing the recommendations of the Cabinet Committee on Small Business.

And the Treasury continues opposed to any tax reduction.

TRANSPORTATION

The Hoover Commission has pointed out many situations in which the federal government is competing with citizens and taxpayers. Among these is parcel post.

Even before the Hoover Commission studies, Congress recognized that the government-operated parcel post system competed directly with privately operated express and package service operated by express, trucking and bus companies. It tried to lay down rules to place this competition on a fair basis.

One of the rules said that the government service must pay its way—that there should be no subsidy—that is, the cost of performing the service must equal the revenue derived. It unintentionally left a large loophole. It failed to enumerate the various costs involved.

As a result, such things as the postal department's contribution to its employes' pension fund and rent for the building space used—costs that private industry must pay—are not counted. These, and some other lesser costs, are estimated to total $50 million a year.

BROAD NEW MARKET

continued from page 45

ceases. The missile is on its own; where it strikes has already been determined.

Creating its tolerances in a laboratory, working with small quantities and carefully protected precision equipment is tough enough. Doing it with a piece of hardware more than 100 feet high, eight feet in diameter and weighing more than 100 tons is something else.

Methods with which we're familiar must be improved and whole new approaches perfected. ICBM problems range from making pumps work and stay lubricated when handling liquid hydrogen—at a temperature of minus 424 degrees F—to making gold-plated gyroscopes accurate to 0.001 per cent and a warhead sturdy enough to remain lethal until the final point of detonation.

We're trying to make ICBM operational by 1960. But Russia's in the race, too, and is known to have made major advances in rocketry.

So what about ICBM defense? We've got to learn to stop them as well as fire them. Suppose one is launched toward Chicago, New York, Seattle, Los Angeles, Dallas. From the instant air defense radar spots this invader, assuming it does, only moments elapse before it hits. How do you intercept a meteor? That is perhaps the number one weapons system question facing this country today. Besides this, the problems of ICBM pale to relative insignificance. Any ideas? Your life may depend on them.

Intercept radar must decide instantly if it's actually an enemy missile or just a meteor. In a few seconds, computers must calculate its course, trajectory, speed and time and point of impact. There is no margin for error or equipment failure. Instructions must be flashed to anti-ICBM missiles waiting at the ready. They must be fired and guided to a sure interception, all within a minute or two, or a city dies.

One missile being developed for this job is the Army's Nike-Zeus. It hasn't flown yet. Several major problems stand in the way, not the least of which is the kind of warhead it will have. If it's nuclear, as are those now being distributed to the Nike-Ajax bases ringing our big cities, it might set off the attacking ICBM's charge, thus guaranteeing accomplishment of its mission. A normal high explosive anti-aircraft charge might have to be closer than guidance can assure in order to do its job. There'll be no second chance.

This is one case where authorities are really open to ideas. Nobody claims it's the final answer, but one solution under serious consideration entails loading Nike-Zeus with oversize buckshot and scattering it in the missile's path. One of these pellets, it's reasoned, would cause the overheated warhead to splatter and break apart.

Other missiles now in operation or still being developed face similar problems. Air-to-air missiles fired by planes at other planes and using infrared or radar guidance must be made so they won't jam or turn on the plane that fires them. Streaking to its target, an antiaircraft missile, such as Nike-Ajax, Nike-Hercules and Talos, may go four or five times the speed of sound, its skin heating up to 1,000 to 2,000 degrees F. But it has to work just as well as if it were cool and comfortable. Also, something's got to be worked into its circuitry so it won't have a nervous breakdown, as some have, when more than one plane is within its range.

Ideas and know-how are needed in the beginning, but the real problem, and one where the American business community can make a big contribution, comes after researchers and developers have figured out basic principles in the laboratory. The real challenge and the big payoff come in getting these items into something approaching efficient, practical, low-cost mass production. Not only is it necessary for the country's defense; it's necessary also in defense of the American economy.

The challenge is compounded by the fact that a missile such as ICBM contains several thousand working bits and pieces. Each is vital.

Making one pump or soldered connection that's 100 per cent reliable for the life of the missile is no real problem if expense and time are no object. However, guaranteeing that every one of a 10,000 lot order are 100 per cent reliable presents a real production problem. Answer it, and one of the biggest headaches plaguing missile-makers today is cured. The Martin Company, for example, which makes the Air Force's Matador and the Army's Lacrosse missiles and is the main Titan ICBM contractor, spends $3 million a year solely on reliability.

This is just one more reason missile-makers have had to go outside the aircraft industry. For without the help of all segments of the industrial community, missile progress isn't going to be as fast as it could be, perhaps not as fast as it must be to keep America ahead of Russia. Neither will they be as cheap as they could be, nor as reliable as they must be.

The missile market demands

BROAD NEW MARKET

continued

unique service but expects to pay for it and has the money to do so. In most of the cases where civilian industry has helped, missiles are classified. But take, for example, the case of Lockheed Aircraft Corp. Lockheed has been studying ballistic missile problems almost since the missile business began. It now has the missile systems contract to develop and produce a 1500-mile Fleet Ballistic Missile called Polaris for the Navy, which expects to fire it from a submerged submarine within five years.

Lockheed needed help in coating a missile nose cone used in reentry studies. A company whose main occupation was plating trophies—the kind you win in golf tournaments—provided the answer. In another case a ceramics company developed a way to "paint" the outside of a missile to counter overheating in high-speed flight.

An aluminum company executive suggested a way to put this troublesome heat to work. Use it, he said, to preheat, vaporize and pressurize fuels before they are burned.

A beer firm in Denver will probably play a major role in the development of ceramic materials for the first nuclear rockets. Eastman Kodak's knowledge of films and optics made it a natural for a prime contract in the development of infrared, self-homing guidance.

Still another company has come up with ceramic permanent magnets able to withstand high temperatures. Elsewhere a brake-lining manufacturer offers a design for a reentry nose cone that can stand 6000 degrees F for 20 seconds, long enough for some applications.

Rocket fuels also defy traditional practices. Rockets are similar in principle to your car's engine. They get their power from burning fuels. Your car gets oxygen from the air for supporting combustion. The rocket carries its own. Hard-to-handle, dangerous chemicals normally used only in the laboratory or in carefully controlled industrial plants must now be transported and handled in carload lots.

Methods have been worked out for storing and processing these materials at places like Patrick Air Force Base or a rocket engine manufacturer's test stand, but a lot must be done before handling techniques are safe and flexible enough for troops in the field.

Some missile problem fields where new ideas are desperately needed include: How to roll metals like titanium and molybdenum to flatness and thickness requirements; how to make a lightweight ICBM reentry nose cone that can take a possible heat input of 1,000 British Thermal Units per square foot per second for 20 seconds; how to plate materials contemplated for use in high-speed, hot-running missiles.

The benefits flowing from missile technology to civilian markets include unbelievable miniaturization and reliability in nearly every line of electrical and electronic circuitry; the same for valves, pumps, flowmeters, and other items of missile plumbing; a wide range of stable high-temperature materials that will find their way into household pots and pans, piping, furnaces, hot water heaters, even the house's structure.

For example, after discouraging attempts with six-inch-thick copper plated with platinum, one of the more promising solutions for ICBM nose cones now under development involves the use of certain plastics laminated with glass fiber or quartz.

Missile information

Small businesses interested in the missile field can obtain information by writing Joseph M. McCeller, Director for Small Business, Office of the Secretary of Defense, Washington 25, D.C.

While rocket propellants such as liquid oxygen, nitric acid and hydrazine probably will never be used to power the family car, some missiles use ramjet engines. Metallic powders—boron, lithium, magnesium, sodium—added to the kerosene or gasoline that fuels these engines hike output 30 to 50 per cent. These may be tomorrow's boon to the motorist. Meanwhile, it's taking some special know-how to work out best methods for getting the metal-powder-fuel slurries into the firing chamber in the way to do the most good.

Some of the fractional and subfractional horsepower electric motors that have been developed for missile use are less than one inch long, less than half an inch in diameter, weigh little more than an ounce and are trouble-free under almost any foreseeable conditions. One day these and their slightly larger cousins may be performing all manner of jobs in home and office, built right into the structure and guaranteed for years. Made of silicones and heat-resistant, non-corrosive metals and running on air bearings they'll require no lubrication or servicing of any kind; may operate drapes, windows, garage doors, sprinkler systems, fold-away bars.

Computers that fit in a water tumbler will make stoves really automatic and make possible "thinking" vacuum cleaners that come out and do the job while the lady of the house relaxes.

Accelerated and paid for in the name of defense, some of these things have already found their way to the marketplace.

The transistor is a case in point. It made the missile possible. But missile needs put it in the living room, the family car and in your office. Radios that fit in the palm of your hand use transistors and subminiature batteries, themselves a missile development. So is the calculator that sits on a desk-top doing jobs that used to require a whole room full of equipment; and the hearing aid with battery and amplifier no bigger than a thimble and scarcely heavier.

In the beginning the transistor was small, light and amazing, but very costly to produce.

Missiles like the U. S. Air Force's 700-mile-an-hour Northrop Snark brought down the cost of the transistor. The Snark's job is to deliver an H-bomb 5,000 miles away unaided by human control. It's our first truly intercontinental missile and is just now going into production.

Though considered primitive by tomorrow's missile standards, it's still a pretty fancy piece of hardware. It navigates itself by "shooting" the stars, taking bearings, as the human navigator does.

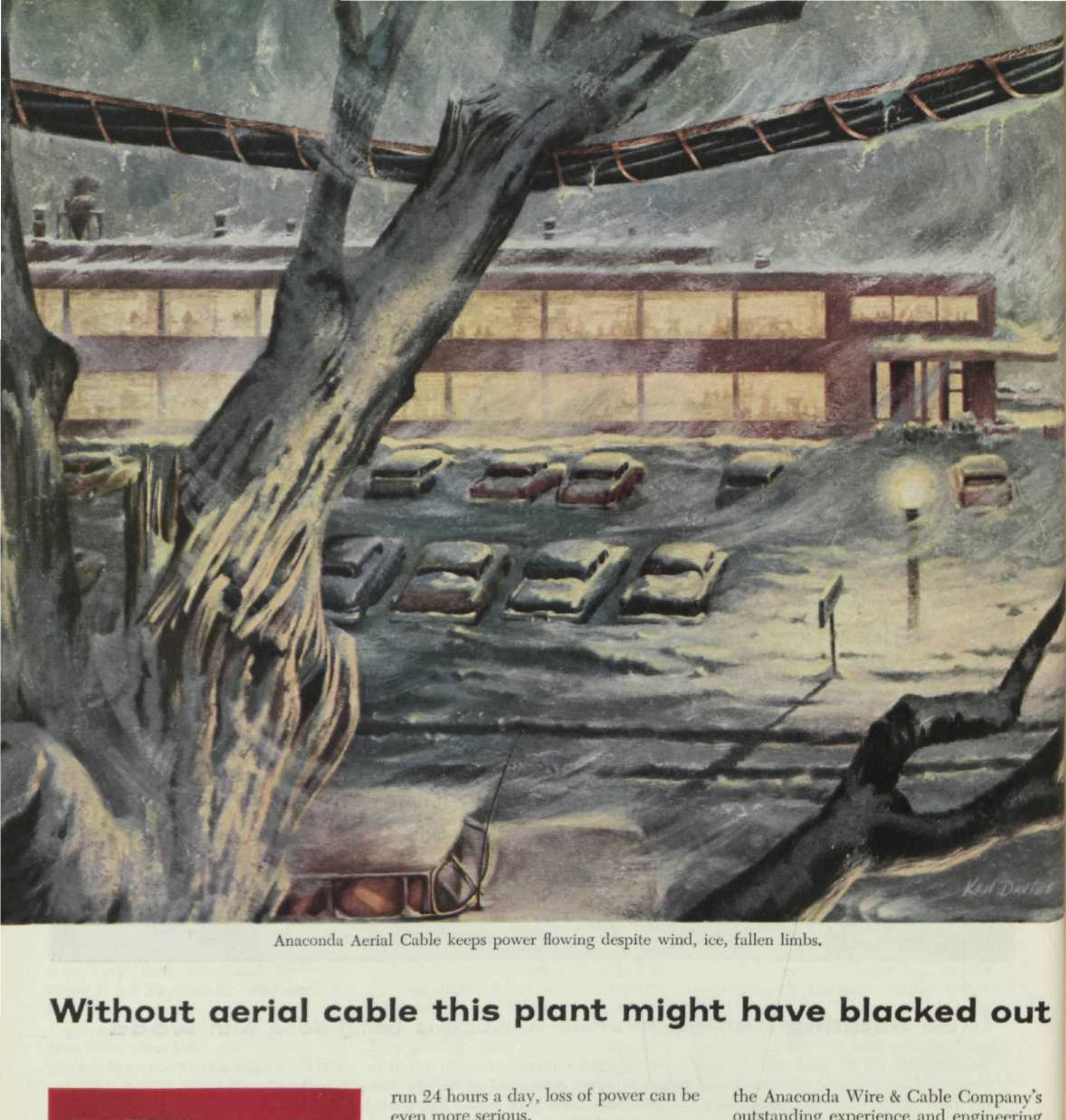
The Snark uses so-called electronic brains. The design of computers to do this job was known 10 years ago. They could probably even have been made small enough to fit in the space available.

But they would have had to use hundreds of standard radio tubes. The heat from these would have melted and fused the entire circuit before the missile had gone a fraction of the way to its destination. The transistor was the only answer, but production was costly and reliability uncertain.

American industry set out to cut the transistor's cost and to improve its production. The result you see today, manning our defenses and brightening our lives in time of peace.

On the industrial side, the need for finely machined, intricate but inexpensive parts, has already resulted in development of two new "machining" methods. One uses an electric spark to "nick" away little pieces of metal. The other, known as chemilling, literally etches metals to any desired configuration.

Materials are already available to take all the heat and wear problems out of automobile engines. As mis-



Anaconda Aerial Cable keeps power flowing despite wind, ice, fallen limbs.

Without aerial cable this plant might have blacked out

THE PROBLEM: Winter storms are the number one enemy of electric power lines. Wind-tossed trees and ice-laden branches can entangle or break the familiar single wires strung on the cross-arms of poles. The weight of ice can snap them. Power is interrupted.

The resulting down time and repairs are costly. For the many plants that *must* run 24 hours a day, loss of power can be even more serious.

THE SOLUTION: Insulate these wires with a protective jacket and bind them together with a copper-coated steel support—as Anaconda has done—and you have a sturdy *cable* that shrugs off wind, snow, ice and falling limbs.

And because one cable replaces multiple wires, installations are neater. Maintenance is easier.

THE FUTURE: As the need for greater amounts of dependable power grows, the Anaconda Wire & Cable Company's outstanding experience and engineering ability deliver the needed wires and cables—both copper and aluminum. Anaconda's other fabricating company—The American Brass Company—likewise serves industry through a complete range of copper and copper alloy mill products. Whatever your problem, whatever your industry—the *Man from Anaconda* is ready to help you. Call him today. The Anaconda Company, 25 Broadway, New York 4, N. Y.

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BROAD NEW MARKET
continued

siles force the development of mass production techniques, their cost will come down.

While much of this new know-how and many missile products and techniques are still classified, a surprising amount of information has been made available. All manner of technical papers on every subject from ionization in the F layer of the upper air to the efficiency of air bearings and the utility and production problems of ceramic-metal mixtures are available from Commerce Department's Office of Technical Services, Washington 25, D. C. OTS can supply, on request, lists of papers and reports released by Army, Navy and Air Force as well as translations of foreign reports.

The biggest and best source of information on how this or that development may fit your product needs, of course, is industry itself. It is true, however, that many of the developments are so new even sales engineers are not sure of commercial applications. It's a condition where a company with the right ideas can hit the market first.

To become a missile contractor or subcontractor, the basic routine is much like that in any other defense business, with one exception. If a company thinks it's got a better solution to any of the problems that now beset missileers, an interested hearing is assured at any of a number of government establishments—Army, Navy and Air Force development centers and the National Advisory Committee for Aeronautics—as well as the scores of major missile system prime contractors and main subcontractors.

Nor is this the end. The development missile of today is the prototype test vehicle for tomorrow's rocket mail service, intercontinental ballistic passenger or cargo liner and space ship. Air Force has already placed a study contract for a TV carrying missile to circle the moon and return. Navy has had a contract in process for some time trying to make algae convert carbon dioxide into oxygen at a more efficient rate in order to solve that space travel problem. The Vanguard, a man-made earth satellite, is due to be launched within 12 months.

The business of missiles and rockets is now where aviation was on a dull and windy day 53 years ago on the sands of Kittyhawk, North Carolina. There are profits and promise aplenty in the industry already. The future is vast.

—SEABROOK HULL

Welfare waste can be cut

Local plan assures that dollars spent on relief buy full value for both the needy and the taxpayer

MANY COMMUNITIES are proving that improved administration at the local level can reverse the tendency of welfare spending to increase steadily in spite of our prosperity.

One of these is Albany, N. Y., which cut 1956 welfare costs to local taxpayers by $761,000 or almost 30 per cent, with the promise of greater savings this year. Other cities worried about rising relief costs can use experience there as a checklist to guide their own efforts at reduction.

Although America is riding the crest of its greatest boom, more than 5 million persons are on public relief—exclusive of those supported by federal Old Age and Survivors Insurance alone.

Public assistance will cost federal, state and local governments more than $3 billion this year.

Public welfare spending is still below the huge depression totals of the mid-1930's.

But the annual cost of basic public assistance programs—old age assistance, aid to dependent children, aid to the blind, aid to the disabled and general assistance—has nearly tripled since depression days.

In fiscal 1957, the federal government alone will pay $1.6 billion for public assistance grants, 31 per cent more than it paid five years ago. Total will go up another $100 million next year.

Here are some reasons for higher welfare expenditures and rising relief rolls during the boom years:

▶ Government has adopted a policy of putting a floor under incomes. Not only public assistance but also other social security, workmen's compensation and unemployment insurance programs are part of a firmly established new concept of government supported by both Republicans and Democrats.

▶ The poorhouse stigma of welfare has been removed. Accepting relief is no longer regarded as something to be avoided except in desperation.

▶ New federally aided programs have encouraged state and local governments to expand welfare activities, boosting spending on all government levels. A few states have used federal grants as a means of setting up broad pension programs with little regard for need.

▶ Rising prices have boosted welfare payments. Medical care, now a big factor in public assistance, costs more each year.

▶ Pockets of poverty have left some areas in economic distress despite prosperity elsewhere.

▶ A steadily rising proportion of older persons in the population has brought a big boost in old-age assistance costs. More than 14 million persons are over age 65 now, and the number grows by 1,000 every day.

▶ More broken homes, coupled with rising birth rates, have swelled costs of aid to wives and children left without support.

Trend of welfare spending has shifted from a state and local responsibility to a federally dominated program.

Local governments now contribute only about 13 per cent of total public assistance costs. Many upward pressures on welfare costs are therefore beyond their control. But they can go to work on administrative practices which give welfare funds to undeserving persons.

Albany's example shows how a community can cut welfare spending once government officials put their minds to it.

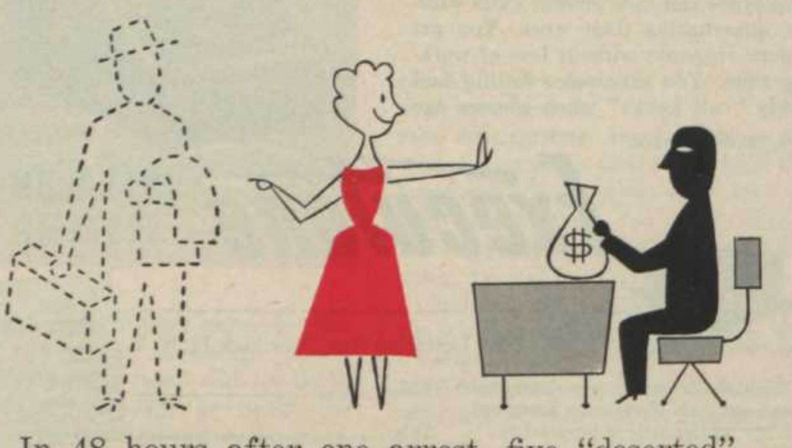
Like other cities, Albany had been plagued for years by steadily rising welfare costs. Per capita spending for public assistance climbed higher than in most comparable communities of the state.

Beginning in 1955, Albany officials began to tighten up on what Mayor Erastus Corning II concedes was "a pretty loose operation."

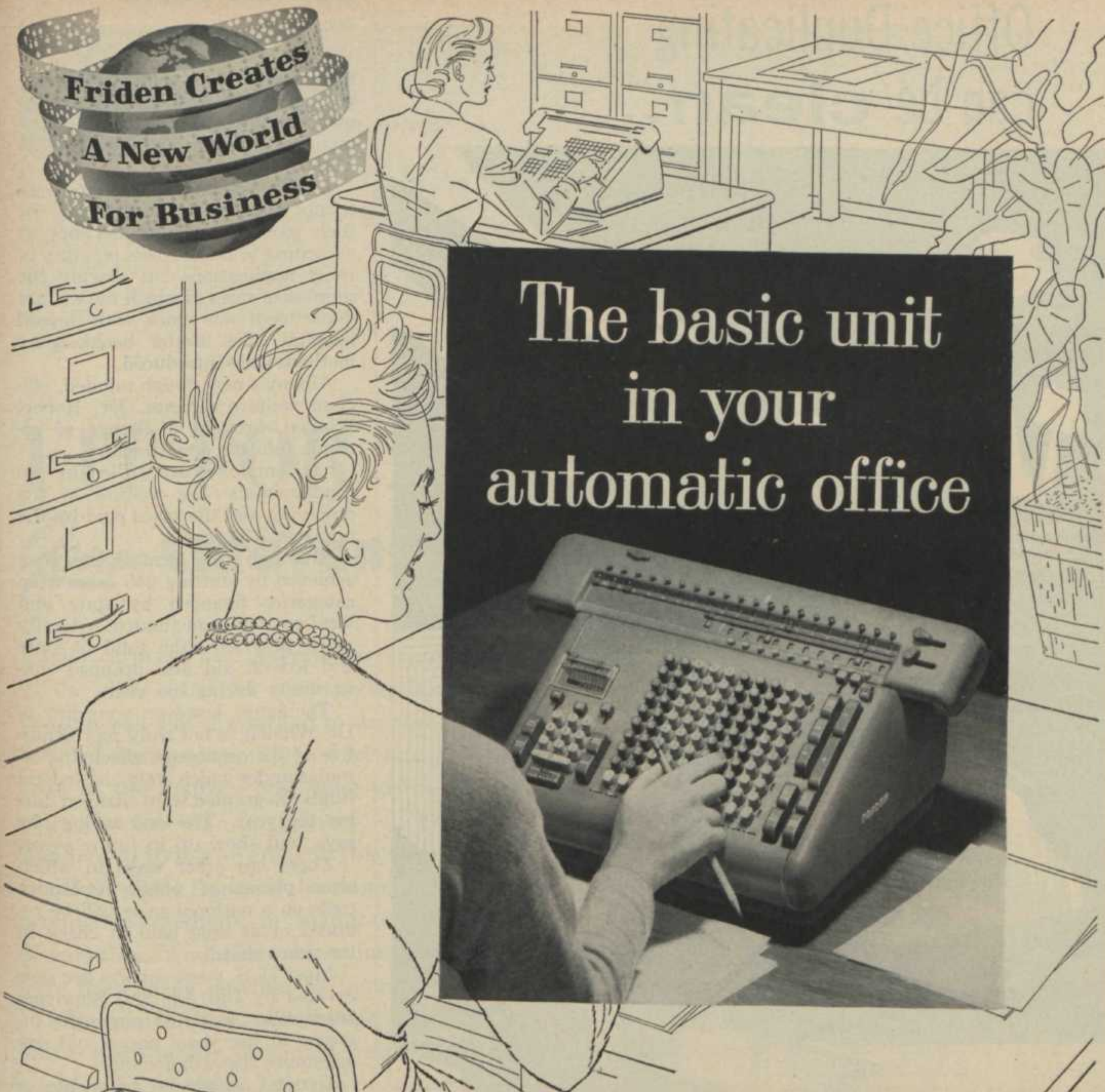
Without depriving deserving persons of aid, District Attorney Russell G. Hunt, now a Claims Court judge, cracked down on others.

Several hundred prosecutions cut many offenders off relief rolls and encouraged others to withdraw voluntarily. Within 48 hours after one woman was arrested for claiming falsely that her husband had deserted her, five other women asked to be taken off welfare. They said their husbands had "just returned."

Welfare officials required all women claiming desertion to file warrants for their husbands' arrest. A new employment agency in the welfare department found jobs for as



In 48 hours after one arrest, five "deserted" wives claimed their husbands had just returned



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• At the heart and base of automatic figure-work in the modern office is the Friden Calculator. And here it will be always...indispensable equipment for every kind and size of business...the essential programmer in many IDP systems. Watch this brilliant, fully automatic Calculator deliver near instantaneous answers at the touch of a key. See how completely it takes over everyday statistical work for payroll, invoicing, inventory, sales analysis, all the figuring you do. Can be operated by anyone with the simplest instruction. Many models, sizes, prices. Invite in the Friden Man to show you!

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many as 80 relief applicants in a single month. Weekly visits to government employment services were demanded of home relief "employables."

Legally responsible relatives were sought out and required to pay for their parents' or children's support according to law. Closer scrutiny of relief applications cut sharply the number of cases in which the welfare department was stuck with unpaid hospital bills. Better bookkeeping methods were introduced.

Albany's new, tough-minded, efficient welfare director, Dr. Robert Whalen, brought a change of attitude into the department.

"All employes are drilled in two fundamentals—the welfare of the deserving and the taxes paid by the taxpayer," he says.

Although some local savings were achieved by shifting 245 cases from categories financed by state and local governments alone to federally aided programs, the total of state and federal aid also dropped substantially during the year.

The figure, however, according to Dr. Whalen, is not truly representative of the economies effected. Formulas under which state and federal funds are granted were changed during the year. The real savings, he says, will show up in future years.

There are other ways in which some phases of public assistance costs on a national scale will be reduced or at least held in check in the years ahead.

Most U. S. wage earners are now covered by Old Age and Survivors Insurance. As OASI payments increase in the years ahead, old age assistance cost will decline.

General assistance payments, a nonfederal aid category, will hold steady or drop if prosperity continues. A new system of reciprocal uniform support laws in all 48 states is aiding welfare officials to force errant fathers to support their families.

Vocational rehabilitation efforts are returning many welfare recipients to employment.

Some welfare experts urge the federal government to pull out of public assistance programs or at least revise and simplify aid formulas to force tighter administration.

Pressures of higher prices, extension of federal aid programs, and shifts in population age groups which tend to keep total public assistance costs headed in an upward spiral emphasize the need for care.

—CALVIN W. MAYNE

RIGHT-TO-WORK GAINING STRENGTH

COMPULSORY UNIONISM seems to be losing support. Even strong unionists begin to see its harmful effects.

From a high point of optimism after repeal of the Louisiana right-to-work law almost a year ago, proponents of compulsory unionism now are on the defensive.

Conversely, those supporting a free choice among workers on whether to join or not join a union seem to be making headway.

There are many signs of a trend away from compulsory unionism. They do not assure that the question is settled or indicate what the long-range effect will be. They are worth noting, however, as reflections of current reaction which may or may not have permanent impact:

State laws:—Indiana has become the eighteenth, and the first industrial, state with a right-to-work law. An employe deprived of his job because of membership or nonmembership in a union may sue employer and union for damages. Idaho just missed passing a law. The issue is hot in other states.

Two important factors in passage of the Indiana law: 1, an effective Indiana Right-to-Work Committee; 2, strike violence.

In one strike, a worker's child was shot in its crib, the victim of a bullet apparently intended for the young father, a non-striker. In another, the governor had to use the National Guard to preserve order.

Taft-Hartley:—Labor doesn't see much chance of repealing a section of Taft-Hartley which would nullify all state right-to-work legislation. This had topped labor's legislative goals a few months ago. Hope had been built up by the Louisiana repeal, Democratic Party platform, Democratic congressional victory, and sympathetic words from Secretary of Labor James P. Mitchell.

Corruption and abuse of workers' rights by union leaders, disclosed by the Senate Select Committee investigation (see page 34) and by the AFL-CIO Executive Council, helped swing public sentiment against forcing more workers into unions against their will.

National Right-to-Work:—Chances of national right-to-work legislation have improved. This contributes to labor's disinclination to tamper with the Taft-Hartley right-to-work section, which now only gives states leeway to enact such laws.

National right-to-work legislation may be tied to civil rights. Sen. Barry Goldwater of Arizona wants any civil rights law to include protection of the right to work for union and nonunion members alike.

Local laws:—Palm Springs, Calif., has enacted the first right-to-work city ordinance. Other cities are watching the outcome of a court test by organized labor.

Inside unions:—With forced union membership and automatic dues collections, union officials are losing touch with the members they are supposed to serve.

Louis Hollander, head of the New York State CIO, has publicly criticized union leaders who ignore the needs of their membership after they get a union shop and dues checkoff.

This recalls the opposition of one top union leader to the union shop and checkoff because it opens up a gap between the union leader and the member. He prefers to have local officials collect dues monthly, and personally, and thereby maintain close contact with members.

A labor newspaper in a recent editorial cited the union shop as one of three reasons why so many union members today are not fired up with union ideals. END

CECIL B. DEMILLE, motion picture producer, has been banned from radio and TV broadcasting since 1944.

He was suspended from the radio artists' union for refusing to pay a $1 assessment to finance a fight against a "Right of Employment" proposition on the California ballot. The proposal lost.

DeMille still refuses to pay the $1. He is fighting to protect the right to work through The DeMille Foundation for Political Freedom.

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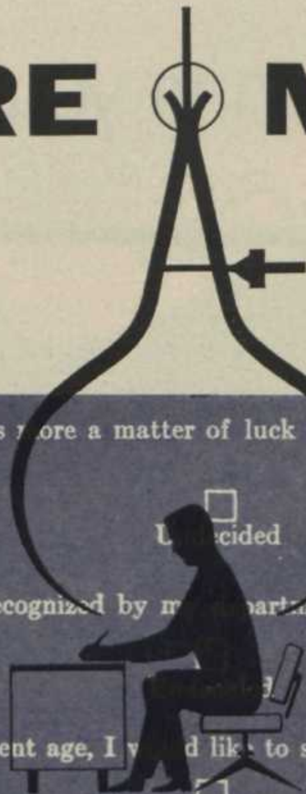

____ 12. Getting ahead in this Company is more a matter of luck than ability (they don't care how good a worker you are)

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

____ 13. My value to the department is recognized by my department head

Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
☐	☐	☐	☐	☐

____ 14. If I planned to work until retirement age, I would like to stay with this Company all the time

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

____ 15. I feel secure in my job

Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
☐	☐	☐	☐	☐

What employes think can be important to your business. These tips improve morale

BUSINESS and science are developing effective tools to measure and improve the way employes feel about their jobs.

Among the factors which underlie this accelerating interest in morale is industry's awareness that in many instances it is competing directly with unions for the workers' loyalty.

Research makes it clear that:

- Morale can be measured.
- The factors which determine whether morale is high or low can be identified.
- Morale can be improved.

"Morale is the composite of attitudes of a group of workers toward their working situation," says Dr. Herbert G. Heneman, assistant director of the Industrial Relations Center of the University of Minnesota. "It's a group, rather than an individual, phenomenon."

Dr. Heneman says that morale problems can develop in any company, regardless of its size or number of employes.

Signs of a high morale level include low turnover, low rates of absenteeism, high productivity, and reduced waste. Indications that a morale problem exists in a plant or office can be read in such evidence as high turnover, a large number of grievances, excessive tardiness, low productivity, high rates of absenteeism. The problem, if it exists, may be highly localized, such as a complaint against one supervisor; or it may result from a number of conditions and a large number of individuals.

"The only way to find out," says Dr. Heneman of morale problems, "is to test and measure."

Measuring morale

A growing number of companies are evolving their own yardsticks for measuring morale—with the aim of understanding the worker as an individual and as a team member.

The General Electric Company, for example, has been experimenting for some time with a device known as the Employe Relations Index, an important function of which is the determination of employe attitudes toward working conditions, supervisors, pay and other factors. A large national retailing organization is working on still another concept for

gauging morale. Some of the most significant morale research today is being conducted by a team of 25 sociologists, psychologists and other specialists under the supervision of Dr. Dale Yoder, head of the University of Minnesota Industrial Relations Center.

They have developed a type of morale test called the Triple Audit. In this test the Industrial Relations Center evaluates:

1. Industrial relations policies and practices (communications, job evaluation, training programs).

2. Economic characteristics of the firm (profits, labor costs, sales).

3. Employe reactions, attitudes and opinions.

The most revealing aspect of the Triple Audit, according to Dr. Heneman, is that which deals with the employe's reactions to his job, his fellow workers, and other elements which determine his loyalty to and enthusiasm for the firm and what it's trying to do, and for his own role in the scheme of things.

Some 53 plants of 19 companies have used the Triple Audit in 10 years. Unions also have used it, because, like businessmen, union leaders need to know membership views as a guide to shaping action and policy.

A businessman expresses it this way: "We take an inventory of our physical and financial resources each year. Isn't it just good business to inventory the attitudes of our personnel who, after all, are the most important asset we have?"

Most commonly used measure of morale is some variation of the attitude study.

Many firms are using this method to check the effectiveness of their employe relations programs and to determine to what extent workers accept and work in accordance with the company's policies and objectives.

One such test is the "Employe Inventory" sold by Science Research Associates, Inc., of Chicago, at a cost determined by the number of employes surveyed.

Developed by the Employe Attitude Research Group of the University of Chicago, the SRA Inventory has been used by more than 1,000 companies. By means of a 78-item questionnaire it measures how employes feel about their jobs, their pay and their company. Combined in it are techniques of psychological test construction and those of public opinion polling.

Here's a problem typical of those the Inventory has uncovered: A firm found that employes in one department felt that "working conditions" were bad. Investigation developed that, on pay day, workers in this department had to stand at the tail of the line waiting to be paid.

Frequently this meant that they waited out of doors in bad weather. The method of payment was improved and morale rose.

In both the SRA and Minnesota morale tests, the answers and comments of employes are unsigned. This is done to insure frankness and to assure workers that they will not be identified by management.

It is not necessary, according to the Minnesota researchers, that all employes participate in the poll, especially in large concerns. Substantially the same results can be obtained by sampling. This practice, in fact, is recommended to cut original costs and to make it possible for the firm to conduct follow-up audits at periodic intervals without great additional expense.

Cost of the surveys is almost directly proportional to the number of workers involved and the number of cross analyses that a company wants. Generally speaking, the more breakdowns a firm gets, the more useful the end results will be.

Some important values of morale testing are these:

1. Highlights problems. If conducted at planned intervals, and indexed for purposes of comparison, an attitude test can indicate significant shifts in employe reactions. When management knows where morale is sagging it can take corrective steps and ward off more serious trouble.

2. Yields productive ideas. This is particularly true of so-called "open-end" opinion surveys, in which the employe is invited to write in suggestions for improving the work environment, procedures or product.

3. Aids in organizing work teams. Here data on attitudes toward co-workers comes into play. It's important to know in advance, for example, whether young people are going to like to work with older people on a particular assignment, or whether men and women can work together harmoniously.

4. Permits employes to blow off steam. Some firms say this value alone has been great enough to justify the expense.

It's dangerous to try to guess what workers are thinking, and what their true level of morale is, warns Dr. Heneman. He and other researchers believe that the top executive, because of his relative isolation, often is the worst possible judge of worker attitudes toward conditions in the plant or office. The president of a small manufacturing concern gloated about how he had raised morale of his workers by installing a new ventilating system in his plant. An attitude test of his employes showed that the new ventilating system was sucking in foul air from a nearby dump. Result: Morale was at an all-time low.

Nevertheless, there are cases—particularly those involving smaller firms in which relationships are closer because of a smaller number of workers—where management has had a fairly accurate idea in advance of what an attitude survey would show. In these cases the results are valued for the job improvement suggestions which they draw from workers.

If an attitudes survey is to be truly useful to all parties concerned, certain preconditions should be met.

Management must understand that the results of the survey are not

STUDY TIPS

Consult the unions, when they are involved, to ensure right answers

Mail the ballot box so employes can see it's confidential

Inform workers of survey findings, but don't interpret

Discuss findings at clinical session, plan corrective steps

MEASURING MORALE

continued

to be used as a weapon against the employes. Some firms have made surveys for the sole purpose of pinpointing individuals whom they suspect to be troublemakers. This can backfire. Once the workers learn that the motive is something besides a sincere desire to gather information with which to improve employe relations, they lose confidence in management.

Furthermore, it should be made clear to employes that all answers will be regarded as confidential.

Another important early step, according to Dr. Heneman, is to inform the union, in instances where unions are involved, that a survey is to be made.

"If you don't do this," he explains, "the word may get out from the union to the employes to give bum answers—and then the data in your morale study has to be discounted."

The next step is the testing. This, in cases where the Minnesota Triple Audit is used, is handled by a resident staff member from the Industrial Relations Center or a visiting staff member from another university. Working with the company, the researchers find an appropriate place for the testing, explain the test to the employes who are to take it (stressing Minnesota's interest in basic research in the morale field), and then conduct the survey, placing the results in ballot-type boxes which are sent back to the university for analysis and tabulation.

The mailing of the ballot box is important. In some cases workers have followed the person responsible for mailing the box to the post office. They suspected that management would try to open the box and analyze handwriting in an effort to single out individual workers.

After the test is held, the Industrial Relations Center sends a simple report of the results to employes, merely giving results without interpretation.

"We make a more complex report for the firm," Dr. Heneman points out. "This involves what we call a clinical session, at which staff members look at the facts and figures and then interpret what the findings show.

"Then we attempt to make recommendations. In many cases we can only tell the firm what is wrong or pinpoint areas of trouble. Our survey may not be complete enough so that they can trace them down."

In some cases the center's staff representatives are asked to meet with the company's board, execu-

MEASURING MORALE
continued

tive officers or other members of management, to discuss the findings and proposed steps for correction.

"Companies which use the Triple Audit have an obligation to tell their employes what the results showed," continues Dr. Heneman. "They have an obligation to try to make changes insofar as practical from results of the survey." With these factors in mind, firms often utilize the feedback principle. The top management group explains the results of the survey to middle management, which passes the word to supervisors, who explain it to the rank and file employes. These discussions not only interpret what the survey found, but also provide for reverse feedback, so that suggestions can flow up from lower groups.

Morale factors can be identified

Science Research Associates says that its experience does not indicate that morale problems fall into any definite pattern. There are wide variations between firms.

However, research by the Minnesota Industrial Relation Center shows that rank and file employes generally rank the following factors as morale problems in this order: 1, communications, 2, general morale, 3, hours and pay, 4, supervision, 5, working conditions, 6, type of work, and 7, attitudes toward coworkers.

Supervisors list them in this order: 1, communications, 2, general morale, 3, supervision, 4, hours and pay, 5, working conditions, 6, attitudes toward coworkers, and 7, type of work.

Although both the supervisors and workers rank communications as the biggest morale problem, the Industrial Relations Center's research team is not ready to say that a simple increase in the amount of information communicated to employes is the answer. In fact, IRC's research to date fails to show any connection between the amount of information which employes possess and their morale.

Morale test results should be followed up

What happens in a company as the result of a morale survey?

The answer is—many things. If supervision shows up as one of the low areas, the firm may start supervisory training programs. If com-

MEASURING MORALE

continued

munications shows up as a factor undermining morale, the company may launch new programs for improving communications.

The Green Giant Company of Le Sueur, Minn., a large vegetable canning operation, affords a good case study of what happened as the result of Triple Audit.

"Green Giant uses Triple Audit, including the attitude surveys, as a major yardstick for evaluating their industrial relations program," says Dr. Heneman. "They use it also to determine how well changes made on their program are operating.

For example, Green Giant found through a Triple Audit that there was much dissatisfaction among its employes over "long hours."

"By careful planning," Dr. Heneman recalls, "the company was able to shorten working hours without reducing the workers' take-home pay. This led to an increase in productivity."

Follow-up surveys showed that the changes had improved morale.

"In another instance Green Giant found that supervisors in one division were not too well regarded by employes and some members of management. They changed the supervisors and morale shot up."

I. D. Schlaefer, personnel assistant at Green Giant, says of the Triple Audit: "The survey serves as a control mechanism to evaluate the adequacy of our personnel policies and practices and at the same time gives us information to back up our suspicions of sore spots in various locations.

"The survey covers all our employes in a given area, the only breakdown being between supervisors and nonsupervisors. Since all answers are anonymous, responses are frank and direct and offer a truthful picture of the situation.

"Since we started our surveys on a staggered basis, we will be giving the Triple Audit in various locations at different times and therefore keep in constant touch with our employes' reactions to our policies."

In another instance the Industrial Relations Center worked with a trucking firm with about 400 employes. The survey showed terrific dissatisfaction with supervision. As a result of that finding—and low findings also for communications and working conditions—the company began a series of improvement programs. The supervisors wrote policy manuals and did a lot of supervisory training.

"The company swears by the re-

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sults," says Dr. Heneman. "They even tell us that productivity is up."

In a survey for a large department store, the Minnesota researchers found that cleanliness of working space was a much greater problem than management thought it to be. This was especially true in the case of several buyers and supervisors whose offices were in untidy, isolated parts of the store.

Another problem the management faced was introduction of partial self-service.

According to Dr. Heneman, the attitude survey helped the management win the confidence of the employes to use of self-service even though it meant laying off 300 people. As a result the firm now does a greater volume with 800 employes than it did with 1,000.

"The results in connection with the self-service innovation," says Dr. Heneman, "prove that a morale study can be useful in helping accomplish new things, to prepare a climate for their acceptance as well as to diagnose existing problems."

Dr. Heneman says that, although any firm can have morale problems, the Minnesota research indicates that these problems are most likely to show up in companies with between 100 and 500 employes.

He believes they arise because a little business got big and the businessman who started it found, after he got up to 100 people or thereabouts, that it was increasingly difficult to keep his finger on the pulse.

One reason why the larger firms' employes show up with higher morale scores than the employes of smaller firms may be that most large firms have personnel departments and other specialized groups to deal with employes; that they are able to give training programs in human relations.

Dr. Heneman cautions that morale building should not be undertaken just for its own sake—it must be related to the total employe relations program. Thus, a firm might grant three-hour coffee breaks and make a lot of secretarial and clerical workers happy—but what would that do to productivity?

"A company should try to reach a level of morale which will enable it to carry out its chief personnel objectives, whether they be cutting turnover, decreasing absenteeism or increasing productivity."

On the subject of productivity and its relationship to morale—the Minnesota view is that, although there is some evidence of a relationship

MEASURING MORALE
continued

between what workers think and feel and their productivity, it is not always clear cut and needs much more research. The problem of determining the relationship has been complicated by the fact many firms do not keep productivity records.

While morale measurement and testing is gaining in popularity in U. S. industry, there are still some hard pockets of resistance—businessmen who consider it all so much hokum or, as one executive expressed it to Dr. Heneman, "I don't want this thing because it will give my workers ideas." Other executives resent the inference that they can't size up their people. Others fear change—and the changes they'll have to make because of survey results.

Why, then, is attitude testing catching on so?

Dr. Donald G. Paterson, professor of psychology at the University of Minnesota and a member of the staff of the Industrial Relations Center, says intensive management interest in morale measurement is really a post World War II phenomenon, spurred by wartime morale work in the armed services and nurtured by earlier research by such firms as Western Electric and such individuals as the late J. Davis Houser and Charles C. Stech, who pioneered in the 1920's with the sampling of opinions of employes and customers.

The importance of periodic morale check-ups cannot be overemphasized, according to Dr. Heneman. It's just as important, he says, as a periodic health examination. "After all, one physical examination isn't enough to state your health for a lifetime."

Is it necessary, in the final analysis, that management concern itself about morale? Dr. Heneman says it is. He feels it's important to check the morale of all workers.

"The audit of employe attitudes is, we feel, a valuable management tool," Dr. Heneman says. "Unless the work team shares a common set of objectives, goals, opinions, beliefs and feelings, it will be hard for its members to work as a consistent and effective unit. Ignorance on the part of the leaders as to what the members of the work team think and feel, can seriously impair efforts to lead that work team effectively." END

REPRINTS *of "You Can Measure Morale" may be obtained for 10 cents a copy or $7.50 per 100 postpaid, from Nation's Business, 1615 H Street N. W., Washington 6, D. C. Please enclose remittance with order*

CONTROL TALK

continued from page 33

and maintaining price stability one of the most urgent facing the country in both the short and long run." It promised to follow developments in this area closely.

How does the government try to hold down inflationary pressures without dampening economic growth? At the request of NATION'S BUSINESS, a top Administration official enlarged on the thinking that went into the President's various statements. Here is what he said:

"There are four ways by which price stability can be achieved in an atmosphere of great economic growth.

► "First, you can use direct controls. Not many people in this country argue for them, although in some free countries—England, for example—they are a live political issue. At any rate, we don't think much of them.

► "Second, you can use monetary and fiscal policy to restrain inflation. This is a keystone in our approach, and the so-called 'tight money' policy of the Federal Reserve Board has had a good effect.

► "Third, you can rely to some extent on the forces of competition. This we are also doing. Competition among sellers in a free economy is a great foe of inflation.

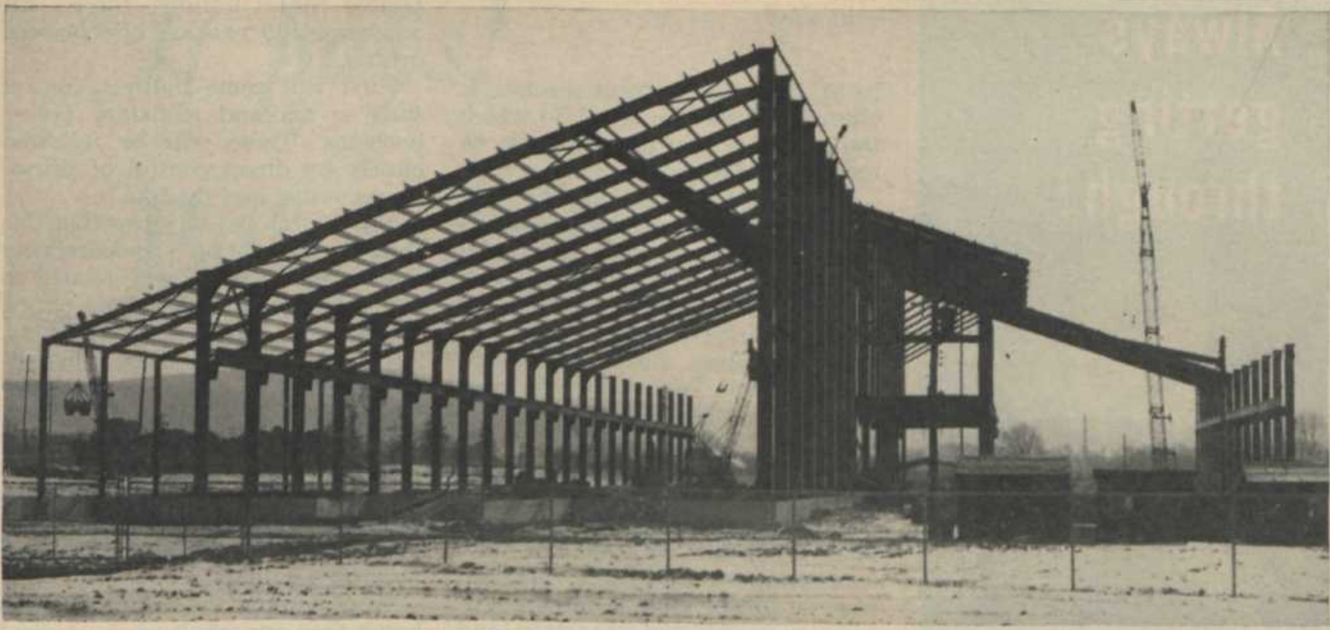
► "Fourth, you can call upon the interested parties—labor and management—to exercise restraint in their own self-interest. That is what we are doing now."

This official conceded that there had been some feeling that the President's call for labor-management restraint was a naïve approach. But he pointed out:

"Past experience has proved that labor leaders and businessmen can recognize the implications of the question: 'Will you play for all you can get now, or will you look ahead a year or two?' " After the war, he pointed out, when consumer demand for many items was near-hysterical, many companies and unions could have forced through much higher price and wage increases than they actually did.

"The decisions," he said, "were not taken then on the basis of 'how will I be doing six months from now?' but rather 'how will I be doing several years from now?' "

How is the desired self-restraint to be applied today? In the ordinary course of business, the official explained, there are demands by labor and counterproposals by manage-



Erection of steel framework during initial construction of Reading Tube's new multi-million dollar plant at Ontelaunee, Pennsylvania.

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CONTROL TALK

continued

ment. The management reaction is often based on the extent to which the proposed pay increases can be recouped from the consumer.

"It is in this situation," he said, "that the negotiators must be made to recognize that there is a third person at the bargaining table—call that person long-term self-interest or the public interest, as you will." As soon as labor and management recognize this, he asserted, the pressures to hold down wage and price increases will rise materially.

The Joint Economic Committee report expressed some misgivings about this solution. The report pointed out that the President's recommendations essentially stemmed from a feeling that exclusive reliance on traditional monetary and fiscal restraints to combat price inflation would raise serious problems to economic growth. Many people, including the chairman of the Federal Reserve Board, question this assumption, the report noted.

The committee also argued that the President's recommendations "might frequently conflict with business and labor policies for obtaining the greatest gains from the use of available resources, the impetus upon which the successful operation of a free-enterprise economy depends."

Finally, the committee said, one problem arising in connection with the President's request to business and labor was "the omission of workable machinery and standards which business and labor might effectively use in accepting responsibility for maintaining a stable price level."

The original version of the report called for the President to set up an economic stabilizer to whom business and labor could go for guidance, but the committee finally decided the proposal was too "scary."

Officials of the Administration are pleased that the proposal was dropped.

"We would be reluctant to do anything of that sort," one Administration man said. He stressed the fact that in one place in government active thinking and planning on economic controls is going on.

That is in the office of Edward F. Phelps, Assistant Director of Defense Mobilization, where preparations are being made against the day when the nation is forced to go on a war-time footing.

An Administration policy has been set which recognizes that any mobilization—even for a so-called local action—which involves United States military forces will activate a full package of economic control.

First will come indirect control such as tax and monetary policy revisions. These will be followed closely by direct control of prices, wages, rents, and the like.

But ODM officials stress that this work is strictly of a preparedness nature and is in no way related to the government's peacetime efforts to cope with inflation.

Although there is some apparent disagreement between the Administration and the Economic Committee over the approach to the inflation problem, agreement is general that the entire subject would be a proper one for study by the proposed investigations of federal financial and monetary policies.

In any event, the Administration hopes that one result of the control furor will be a spurt of government, industry and labor research in the whole field of productivity—both its measurement and benefits.

The Administration official already quoted put it this way: "There is a big question. Who should get the gains? Labor? Consumer? The provider of the capital that made the increased productivity possible? That question has been brought to the top of the pile now, and some good is bound to come out of the discussion of it.

"We hope and expect that unions, trade associations, companies will begin actively to study this whole relationship between productivity and the price-wage structure. We have confidence that answers will be found."

In the government several agencies—the Commerce Department, the Bureau of Labor Statistics, the Budget Bureau—are searching for newer and better ways to collect productivity figures and relate them to other economic data.

In considering anti-inflation measures, Administration economists recognize that the natural movement of the economy may do some of the President's work for him. While they and other economists generally predict that business activity and prosperity will continue high throughout 1957, they see some evidence of a slight tapering off of inflationary pressures later this year.

Most economists feel that it will be late spring before they can say with any certainty whether inflation will require further federal action—another hike in the rediscount rate, for example—to dampen it, or whether the free play of the economy can take care of things.

—CHARLES B. SEIB

TRAINING FUTURE SALES LEADERS

Changing markets demand a new type of man in a new type of job. Here's a description of both

TODAY'S complex market, more sophisticated customers and the increased stress on selling are putting greater demands on the first line sales supervisor.

Different companies give him different titles—branch manager, division manager or district manager. For simplicity here we will call him the district manager.

As one marketing vice president puts it: "We're beginning to see that if the salesman is a key man, the sales supervisor is a key-er man."

Diversification, decentralization, technology and changing methods of distribution account for this estimate. Today's far-flung sales forces face new problems in relating company interest to customer interest. They have greater need for expert decisions than ever before and, in today's tougher competition, they need these decisions quickly. This means decision-making in the field, and the man on the spot is the district manager.

Recognition of his importance, though slow in coming, is now coming with a rush.

Seventy-one of 104 companies which responded to a recent American Management Association survey to learn more about current practices in regard to first line sales supervisors said they gave these men no orientation training at all, a lack which seems unlikely to continue.

Large numbers of companies are now taking their problem to management consultants and to business associations.

So many went to the American Management Association that the AMA's Marketing Division set up a national meeting of company sales managers, expecting a registration of 200. Instead, an overflow crowd or 450 piled into town for the meeting.

"We apparently struck a nerve center," says Coleman Lee Finkel, Director of AMA's Marketing Division. "The response has been so terrific that we're setting up a whole series of training seminars throughout the country and we plan to schedule more and more meetings for this important link in sales management. This is the first time these fellows have been given any real concentrated attention.

"It's much like the situation which arose when production expanded so rapidly. Suddenly, everybody needed foremen and there were foremen training courses all over the country. Now, it's the same with the first line sales supervisor."

This new interest has led to a new appraisal of district sales supervision. Out of this has grown a considerable body of knowledge about:

- ▶ The job
- ▶ The man
- ▶ The training that matches one to the other.

Requirements for each of these will vary according to the nature of the market, the nature of the company

and the nature of the prospects. But, regardless of these variations, most district managers and the work they do have certain things in common.

The job

Five basic functions occur in practically every job description. They are: Recruiting and selection of salesmen; training of salesmen; supervision and control of salesmen; planning; communications. Here's a look at each one in detail:

Recruiting and selection—The district manager recruits salesman candidates and conducts the preliminary interviewing, screening, testing and selection. Guidance comes from headquarters in the form of tests and reference procedures, but the final approval is mostly left to the field.

This has become the generally accepted practice because it's usually a long way to headquarters and therefore difficult and costly to get candidates in for interview. Also, the need is usually for a man who knows something of local conditions. Moreover, companies feel that if a district manager is going to work with a salesman constantly he'll feel a lot closer to the man if he selects him himself.

So it's important that the district manager have skill in the selection of men, that he know how to reduce his own prejudices and follow intelligently the personnel signposts which the company has put up to guide him.

Training—In the leading marketing-minded companies, the district manager always has a part in giving new men their initial training in product knowledge, company policies, territory orientations, planning and organization of work and sales techniques. The supervisor continuously trains both new and experienced salesmen in attitudes, skills and interpretation of company policies. One of his chief training instruments is the sales meeting. The tendency is to localize these meetings instead of holding big sessions at headquarters.

Marketing-minded companies today are emphasizing the importance of the training function. Says John M. Wilson, vice president of sales for National Cash Register:

"With us, the training and motivating of others is perhaps the most vital function of sales management. Each salesman is first taught to cast himself in the role of his own sales manager.

"He must manage his territory. He must organize, plan and put into action the same job functions at his level as his sales manager does at a higher level. He must also market-research his product. He starts that function at the junior level when he is assigned subjects for presentation at branch meetings. When he is promoted to senior salesman, he will direct a junior salesman who is working for him. He comes early to recognize that his ultimate success depends on his ability to select and train men and to multiply his efforts by the number of men employed."

Supervision and control—In today's selling picture, the district manager is no longer a lead salesman or working manager as he often was in the past. He is an executive whose efforts are devoted to multiplying himself many-fold—in the salesmen he supervises.

Good direction starts with good planning. A good district manager helps a salesman plan intelligent coverage of his territory, which means effective and economical allocation of his time.

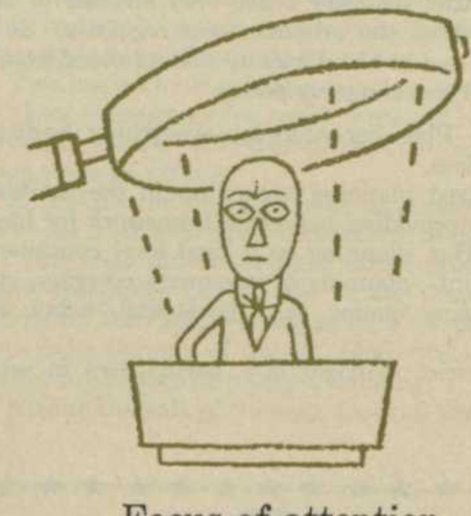
"Some salesmen allocate 70 or 80 per cent of their time to prospects which produce 15 per cent of the business," says Robert Baumann of Cresap, McCormick and Paget. "The supervisor must correct this and show the salesman how to do it right.

"Then there's the matter of planning strategy with the individual customer company. 'Must we wait for the Superdooper Corporation's stubborn purchasing agent to die?' the salesman may be asking himself. 'Should we wine and dine him? Or ask the salesmanager to come out and help us sell him?' You've got to give him the answer. It's tough to teach strategy to a salesman, but you can do it if you show him how to think creatively. He's an intuitive type of guy."

There is a general tendency among all of the marketing-minded leaders to provide closer supervision by decreasing the number of salesmen the district manager has to supervise. The tendency is also to buttress the district manager with field experts in the technical aspects of the product or whatever specialty may be necessary in the territories being covered.

The average salesman doesn't organize his time, marketing executives say. For one thing, he doesn't make the necessary number of appointments and this wastes hours waiting around.

DRAWINGS BY CHARLES DUNN



Focus of attention

"The district manager must show the salesman how to put in the maximum time with his prospect," says George Butler, of Barrington Associates. "If he shows nine men how to save two hours a day, he saves a total of 18 hours and justifies more than double his own time."

The district manager must hold meetings constantly, not for inspiration but for demonstration. This also maintains group morale.

Where the supervisor is too remote, the salesman begins to lose interest; he sees no evidence that his reports are read or his extra efforts appreciated. Where

freedom of operation sounded fine to begin with, it quickly begins to pall.

The district manager is the intermediary with management. He is management's spokesman but he is also the defender of the salesman against unreasonable quotas. He is father confessor and adviser-in-chief. One day he may be saving a marriage and the next day giving a cold, scientific analysis of some new electronics development.

Intelligent and conscientious supervision is essential despite the need for more independent action by the salesman. For example, exceptional volume does not always indicate good performance. It may mean the salesman is milking his territory instead of building it up. He may be overselling customers with limited potential or opening too many new accounts. These things take analysis and correction.

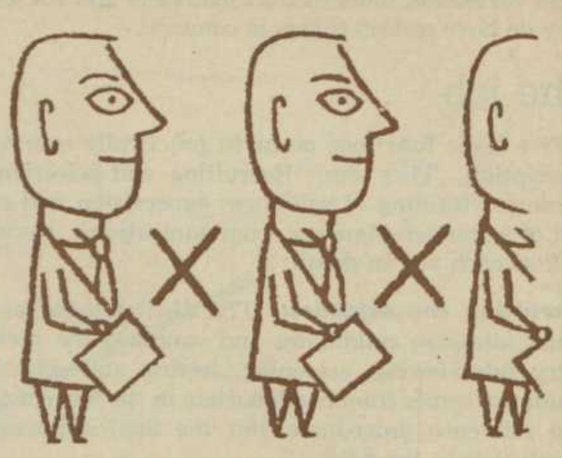
The district manager must help a man see and correct his own weaknesses. Good appraisal goes along with development, and it is up to the district manager to rate his men on their merits. In the most progressive systems, rating is directly related to compensation. Compensation is an intricate subject but one of the best ways of motivating a salesman is to pay him properly and intelligently.

The district manager is the only member of management whom the salesman sees regularly. So it's important that he be sufficiently well informed from the top to interpret company policy.

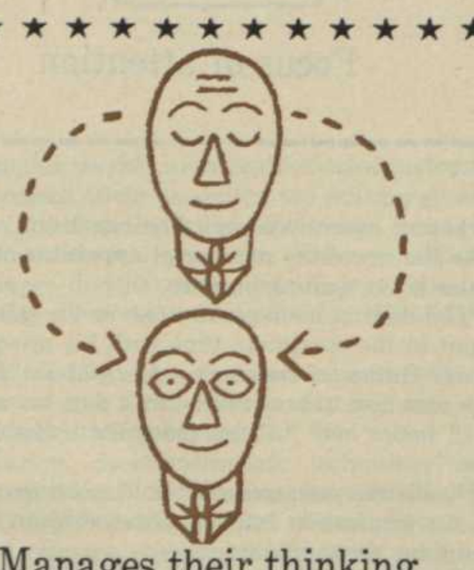
Planning—Planning enters into everything the district manager does.

Centralized planning higher up in the marketing division is providing more of a framework for him to work in. But, planning on a local level continues to be important—planning of salesmen's coverage, strategy, company quotas, sales goals and, today, even profits.

The district manager now participates in setting up quotas and sales goals. In the Ditto Company, sales supervisors even participate in working out the profit goals for the year. Each branch (smallest company division) turns in its own profit-and-loss statement. Based partly on information from the field, long-term profit objectives worked out at company headquarters are then broken down to allocate dollar volume for each branch. Then branch and division manager agree upon dollar volume by product line and an estimate of net profit for the year is reached.



Multiplies himself



Manages their thinking

Although actual territories are determined at headquarters, the district manager must help "cut to fit." He must determine the adequacy of manpower and personnel planning and answer such questions as:

How old are the men?

When will some need replacing?

Who will replace them?

He must plan the coordination of advertising campaigns, promotion and sales for best timing to get the most out of each.

Last, but not least, he must plan his own time between office administration, on-the-job training, field sales and the supervision of salesmen, lest he find himself in a time bind.

Communications—Every company has its own system of communications within its sales organization—manuals, brochures, bulletins, meetings and conferences. Communications between district manager and salesmen becomes a function of good supervision. There is, however, another type of communications, in which the salesmen and their supervisor pass market information back to the top planners in the marketing division.

"With all this topside planning we're doing today in marketing, you can develop an ivory tower viewpoint," says Watson Snyder, a partner in Booz, Allen and Hamilton, management consultants. "The field men can give some wonderful clues to top planners if communications are properly set up. You can make a two-way deal out of this marketing concept.

"The sales supervisor sends in an estimate, broken down as to his territory. At headquarters, it's assembled and measured against the potential and against

business conditions. The final resolution is a compromise. Marketing research makes a general survey as to the number of customers and the nature of the market; it's up to the field sales force to individualize and particularize."

"The salesman must gather word on the individual prospects," says Mr. Baumann. "He must answer the question, 'Why are we getting only 10 per cent of the customer's order?' He should have a plan to get part of the remaining 90 per cent.

"Marketing research can develop certain basic indicators. It can show that a plant making axles should be buying so and so many of our widgets each year. But it's up to the salesman to tell why it isn't. This may seem obvious but time after time in our work we develop completely convincing evidence that the salesmen are in error in calculating the customer's usage of their product.

"Certainly, the salesman is not responsible for developing detailed factual data on prospective products," Mr. Baumann admits. "But he should report on new and modified uses of the products and report back on customer suggestions. These fellows can determine the feasible quota for the individual customer and get the data for setting the goal. But you must begin at the bottom to get the data to set the goals."

"The importance of good information from the field is illustrated in the case of a widely known farm machinery company," says William E. Hill, of William E. Hill & Co., management consultants. "With the step-up in the size of farm units, the farmer came to require a more advanced and complex type of machinery. The manufacturer had always provided a well engineered product line and had a good dealer distribution system. Then the company found that the dealers—and the field sales force as well—were missing the accelerated change in product requirements. Two things had to be done:

"1. The company's engineering was stepped up to meet the changes; an advanced engineering group was set up to work three to five years ahead on user requirements.

"2. The sales organization was directed to greater coverage of the end user to be sure he was sold on the new stuff, and to be sure he was finding the changes.

"This meant changing the whole set-up for supervisors—and salesmen as well—and revamping the whole information-reporting system. As a result, the company is doing very well in a difficult industry."

Not only does headquarters want information on customer reactions but it wants all possible intelligence on the competition. Information such as this:

"We lost Blank Company's order because the competition gave a 10 per cent cooperative advertising allowance. This is killing us," or,

"The competition is market-testing a new package. Looks as though it would cut into our business."

It's up to the supervisor to take the responsibility for sending samples to the home office.

The man

Although each of the five basic parts of the district manager's job will carry different weight in different companies, today's new sophisticated customer sets one universal standard which sales direction must meet.

The days when selling was a matter of pushing or even bludgeoning the prospect into buying are gone. Business today has discovered, as Edward C. Bursk, professor of business administration at the Harvard Business school, has said, that the prospect carries a hidden resource in himself; he likes to buy provided he has a chance to trust and respect the seller. This can only happen if he feels he is being allowed to consider the proposition fairly and rationally.

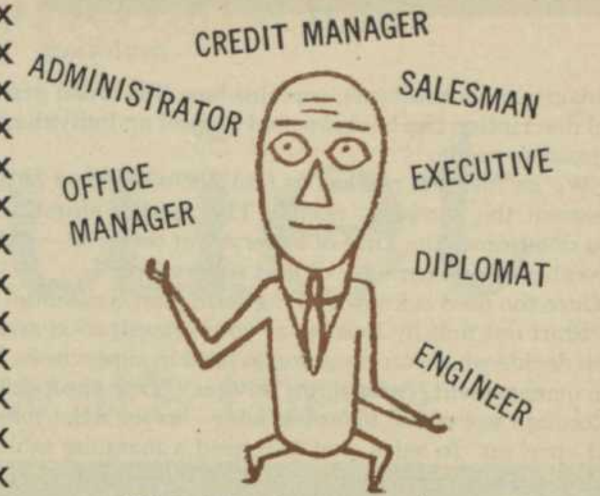
This has led to what is known as low pressure selling.

"Low pressure selling requires men of high caliber," says Mr. Bursk, "and men of high caliber cannot use high pressure selling."

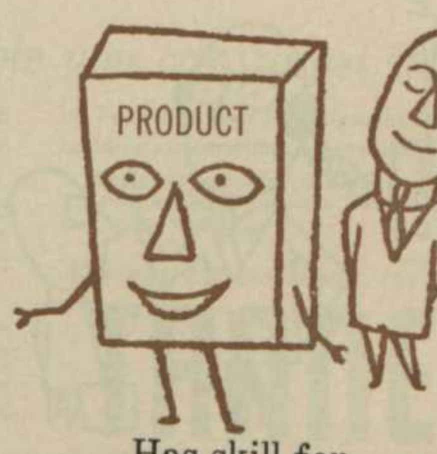
So the district manager must be a man of high caliber. He must also have considerable managerial skill.

"The sales supervisor must direct people in a delicate, intangible thing—how to use their minds and emotions, their whole being, in fact—to sell someone," says John Sargent of Cresap, McCormick and Paget. "They are managing people's thinking."

Arthur Dougall, of Stewart, Dougall and Associates,



The ideal supervisor



Has skill for low pressure selling

continued

management consultants, explains how this broad general description can be sharpened to meet an individual company's needs:

"We go into the market to find out what kind of a salesman the company needs. The market situation also determines the kind of supervision required—and the caliber and character of that supervision."

Once the need is known a long-term plan is essential.

"Start out first by looking at your organization and then decide what you are going to need in supervisors," one management consultant advises. "One approach is through use of the manning table—to see what jobs will open up. In sales, you also need a manning table to find out how many supervisors you'll need and when.

"If the manning tables are well drawn up, you'll know several months in advance when you are going to need a new supervisor. But the planning must be done on a five-year basis, at least, if the program is to be carried out effectively."

Such planning will avoid the twin headaches of having either too few promotable people—or too many.

"Many a good salesman has been ruined by being made a supervisor when he doesn't have the aptitude," says Mr. Dougall. "Such a man should remain a salesman—with appropriate rewards, of course."

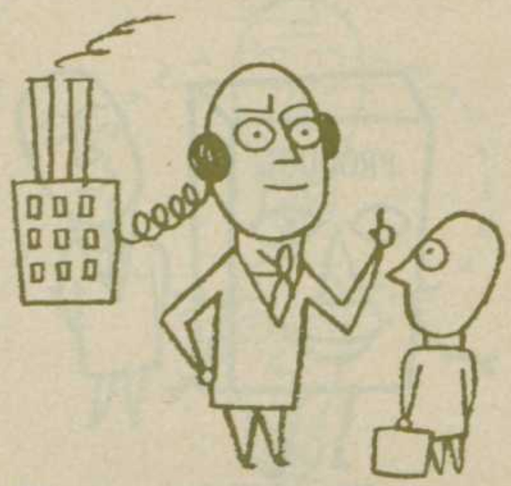
On the other hand:

"A company must consider whether it's building dissatisfaction into its organization by hiring men who are all potential supervisors," says Mr. Finkel. "Some managements may not be able to advance the men fast enough to keep them happy.

"Other managements—in fast-growing companies—may feel that they can find a place for all the executives they can develop. They will want every man to be a potential supervisor."

After the needs are determined, a company needs to fill the pipeline with enough people of the right kind.

A quick way to determine what kind of people are right for an individual company is an analysis of present salesmen and supervisors. Some companies have



Management's spokesman

Defender of salesmen

gotten a lot of help from intelligent use of selection tests. To validate the tests, they are given to successful salesmen and to those not so successful. This enables the company to set up a grading system. If the test indicates that a man is likely to be a good career salesman, he can be advanced in direct selling.

If it shows he has aptitude for administration, several other tests are available.

Asked to number the selection methods they use for sales supervisor, the executives responding to the AMA questionnaire gave these answers:

- ▶ Recommendations of the salesman's immediate superior
- ▶ Multiple interviews with company sales executives
- ▶ Merit rating results
- ▶ Sales record

Watson Snyder lists the selection methods his company uses:

1 Examine the man's record. What has he done in selling? What has he done in the community? What is the sum total of the man's activities?

2 An evaluation of the man by people who work with him and people in a supervisory position over him.

3 Personnel tests. They're good if wisely used in conjunction with other means of evaluation.

4 Interview the man.

"Our feeling is that if certain traits are confirmed by all four methods, it's pretty certain we're correct," Mr. Snyder says.

The information resulting from these inquiries will provide a basis to appraise the man's managerial aptitudes. These aptitudes are of two basic kinds:

What he is

Drive
Qualities of character and maturity
Planning ability (analytical)
Leadership
Initiative
Effectiveness as a personal salesman

What he knows

Knowledge of products *(continued on page 84)*

continued

Understanding of advertising and promotion
Understanding of distribution methods, trends that are taking place
Selling techniques. (If he's coming from outside, it should be in a similar field)
Knowledge of customers in the particular field
Understanding of administrative and sales control techniques

When they were asked what personal qualities they look for in a potential supervisor, the 104 sales executives answering the AMA questionnaire gave pretty much these same answers.

The training

The big problem today is training the supervisor after he's selected. And a startlingly large number of companies have suddenly come to the realization that they just haven't been doing it.

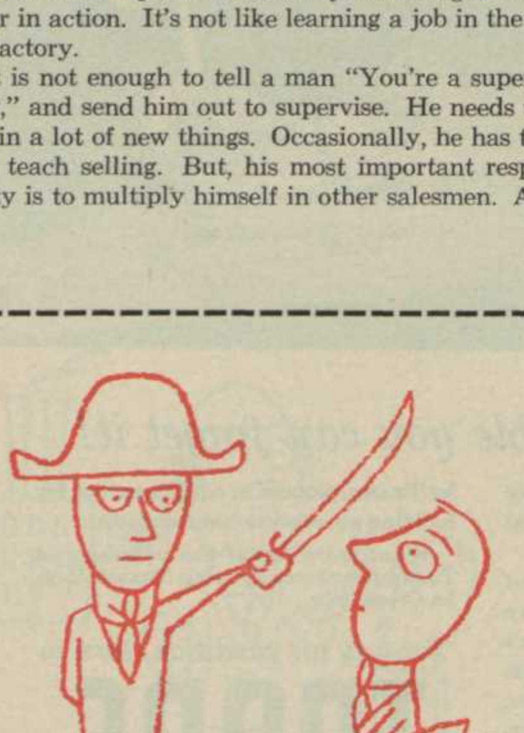
"If you fail to train the sales supervisor correctly when he starts up the ladder," says Mr. Finkel, "you're going to have an executive who will have gaps in his management know-how all the way up the line. It'll be like a kid trying to do higher mathematics without fractions.

"This is the big jump.

"A lot of men get the bends. You can't pull him out of the water too fast; you've got to put him through a process of decompression."

As a salesman, he's had little opportunity to find how his sales supervisor works by observing the supervisor in action. It's not like learning a job in the office or factory.

It is not enough to tell a man "You're a supervisor now," and send him out to supervise. He needs training in a lot of new things. Occasionally, he has to sell and teach selling. But, his most important responsibility is to multiply himself in other salesmen. A consensus of management consultants and sales executives in some of the leading companies yields this list of approved training areas:



Teaches sales strategy

Learn by doing

1. Indoctrination. This includes:

Instruction: Providing a full understanding of the job and methods of operation—the man's responsibilities, what he does.

Teaching him the use of tools: Control reports and reports on his own and his men's performances.

Planning: He should be indoctrinated into the best use of his time and that of his men.

2. On-the-job training. This is the most effective.

3. Follow-up and review of performance on the job, including refresher meetings.

When they were asked, "What methods do you find most effective in orientation training for sales supervisors?" sales executives who already have training courses answered: Home office meetings; regional meetings; lectures; role playing; job rotation; trial runs during supervisors' vacations; university and association courses.

It is significant that when they were asked what methods they liked for "continuous training," the answers were practically the same.

Most of the leading management experts cap their lists with "guided experience"—the method by which top executives train their subordinates by means of special assignment, day-to-day work contacts and departmental problems. Guided experience rests on two accepted precepts: that the best way to learn is by doing and that the development is most effective when it takes place under the guidance of an able and sympathetic superior.

All of these devices are methods of learning to work better with people, and business is people.

—PHILIP GUSTAFSON

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RED KNOW-HOW

continued from page 43

of tyranny as a system tends to become hopeless."

Mr. Dulles says one of the Reds' problems is that of restoring initiative and enterprise to a people numbed by long years of discipline and fear."

The communist industrial machine is "running out of steam."

Dr. Schwartz says:

"The economic growth in the communist world has been produced by the use of tremendous compulsion. The system we call Stalinism, with its related unpleasant features of secret-police control, slave-labor camps, complete repression of freedom of speech, freedom of press and the like, was required because the communists' goal of achieving maximally rapid increase of heavy industry could only be achieved at the cost of keeping down the standard of living of those people."

To prime the pump—to restore the rate of growth in industrial production—the collective leaders "tried to budge the populace with a carrot," as it is described by Mr. Dulles. "This policy promised to give greater attention to the manufacture of consumer goods, which had long been subordinated to the basic Soviet emphasis on heavy industry."

At first the carrot technique paid off. But consumer production robbed heavy industry. So Malenkov, who had announced the new economic direction in 1953, was demoted in 1955 and Khrushchev reasserted the primacy of heavy industry. Where the American industrial machine provided both guns and butter during the Korean crisis, the Soviet system found that it could not do both. The decision once again was to concentrate on heavy industry.

Now, beset with enormous economic woes, the communists are again about to change course.

The year ahead will see the Soviet Union reorganized into new economic districts. Details are being worked out now and will be reported next summer. Under the current system industry is managed from Moscow on a nationwide basis by about 30 ministers. For example, there is a Minister of Aircraft Production, as well as one for automobiles, and others for production of oil, coal, rubber, iron and steel, timber, food, textiles, agricultural machinery, machine tools, building and road building machinery, chemicals, electricity, fishing, and so on.

Under the new plan all such ministries are expected to be abol-

ished. Instead, management of all production inside an economic district will be under one manager.

Thus the economic structure of the Soviet Union will be changed radically by the end of 1957. V. M. Molotov, now Minister of State Control, will be credited with the new idea. This is significant since, as the only remaining old Bolshevik, he will be altering the system which was tried for nearly 40 years.

Many of the problems of Soviet industry today are related to manpower. In 1945 there were 15 million fewer persons in Russia than in 1940, the result of war losses, a drop in the birth rate, a rise in infant mortality.

Now there are approximately 8 million fewer children in the first four grades in Soviet schools than in 1940. Prof. Martin R. Gainsbrugh, chief economist of the National Industrial Conference Board and professor of economics at New York University, says:

"In the next decade this lowered number of children will in turn affect the size of the labor force. The relatively small number of new entrants into the labor force will present a problem to a growing Soviet economy."

Dr. Gregory Grossman, of the Russian Research Center, Harvard University, says:

"In its early years Soviet economic development was carried along largely by enormous transfers of manpower from villages to the cities. In the present five-year plan the agricultural population is expected to maintain its size. Nonagricultural employment is expected to rise by 10 to 15 per cent, which will barely compensate for the promised shortening of the workweek—if that shortening, of course, takes place."

Thus, with labor scarce, there will be renewed emphasis on productivity. Cost analysis, for the first time, is really important to them. This, perhaps, is related to a recent Soviet attempt to acquire a U.S. railroad study that analyzes pay schedules for employes.

Dr. Grossman says: "All of the scheduled increase in industrial output is to come out of the growth of man-hour productivity. This necessitates not only better work organization but also very extensive modernization and replacement of equipment, hence the heightened emphasis on automation, on borrowing of foreign technology on an enormous scale, and on industrial research."

The Kremlin has acknowledged unfulfilled quotas for coal, metal, cement, and timber during 1956. The chief economic planner was dis-

RED KNOW-HOW

continued

missed and a new one, Mikhail Pervukhin, named in his place. There are some indications of a planned increase in housing construction to overcome the incredibly bad conditions against which the populace is beginning to grumble in more unrestrained tones.

Recently Premier Bulganin indicated the dilemma of Soviet planners. Admitting "many shortcomings" in housing and consumer goods, he argued that the party and government are doing their best to overcome these problems.

While Russia faces a tremendous political challenge at home and in her uneasy satellites, she also is beset with conflicting economic pressures which promise to increase in intensity, rather than diminish.

For one thing, the Kremlin leaders must resolve the traditional Soviet concept of national economic self-sufficiency. While this policy has helped the Russians to expand industrial strength with remarkable vigor in the past 15 to 25 years, it is a policy which is not consistent with Soviet desires to expand communism through economic penetration of underdeveloped countries.

As Russia's trade and contact with the outside world increases, the Soviets will find themselves depending to a larger extent on outside sources for raw materials—and the exporting of large numbers of Soviet technicians to other countries, already in progress, cannot help but work toward breaking down the insularity of the Soviet Union.

As for what's ahead for Russia, no one can determine except to say that stormier days will come. It surprised no observers in Washington when the so-called de-Stalinization policy was switched recently into what will probably become known as the re-Stalinization period. The collective leaders obviously have come to realize that they cannot go too far in conciliating their restless people.

Nevertheless, for communism, 1957 will be a significant year. An evolutionary process has started. The Soviet economy will undergo the first significant change in 40 years. There will be a new kind of economic rule. The world will be affected—through increasing pressure on satellite peoples, through economic squeeze on nations like Yugoslavia, through stepped up efforts to infiltrate the Middle East, through chronic trouble in the Far East and elsewhere, and through obstructionism in the United Nations.

One thing is sure. While the Red economy is struggling, it would be folly, as Allen Dulles says, "to assume that international communism is on the verge of collapse." The Russian economy is expected to grow five per cent in 1957.

Meanwhile, according to Mr. Dulles:

"When the day of freedom for Russia and the people under Soviet rule may come, no one can prophesy. But when it comes, it will be the proudest day in Russian history.

"If that day is to be hastened, we cannot afford to be timid in asserting profound faith in our democratic institutions, and in acting decisively on that faith." END

SOVIET DILEMMA

While Russia has counted heavily on the "new Soviet intelligentsia," it is finding, according to Allen Dulles, head of the Central Intelligence Agency, "that, in educating large numbers of youths to fill the positions required for the administration of a large modern state, it has taught people to think and ask embarrassing questions. . . .

"The disaffection of thinking youth—their restless desire for real integrity and honesty in their society—must deeply concern a regime which needs their services."

facts and figures at see level!

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DIVISION OF SPERRY RAND CORPORATION

MORE INCOME TAX CHALLENGES COMING

Here's what happens if you're asked about your return, what your rights are and what you can do about them

MORE TAXPAYERS will be asked to clarify or amend their income tax returns this year than ever before.

The Internal Revenue Service has doubled its examination staff in recent years. Of the 70 million returns to be made this year, the Service will select about 4 million for thorough examination and audit. These will include virtually all returns of individuals showing a gross income of $25,000 or more and of businesses showing a gross income of $200,000 or more.

Roughly speaking, lesser returns will be spot checked at the rate of one in 20. Self-employed returns are audited at the rate of one in 10—and if the self-employed has income of more than $10,000 the rate rises to one in two.

The Commissioner of Internal Revenue's annual report shows that last year the I.R.S. contacted more than 2.3 million taxpayers in regard to their returns. This is an increase of 17 per cent over 1955. Suppose you receive such a request.

What happens then?

What are your rights and what can you do about them?

How do you make a settlement?

Procedural rights of taxpayers were among the things affected by the 3,000 changes Congress made in the internal revenue law in recent years. I.R.S. officials and tax lawyers have been working to align tax settlement machinery with the law.

It is assumed that you have made your return according to your understanding of the law, that your return is not pegged to a business involving alcohol, tobacco, firearms, narcotics or wagering—all of which are governed separately.

The point at issue is simply that you and the government disagree on what your tax should be.

Normally you will receive a call from a revenue agent in the office of the district director for the tax district in which you live. There are 64 such districts in the United States, at least one to each state. Anywhere from four to 10 districts are under each of the nine internal revenue regions whose headquarters are in Boston, New York, Philadelphia, Atlanta, Chicago, Cincinnati, Omaha, Dallas and San Francisco.

The agent will ask you to call on him or he will come to you to audit the return. You may act for yourself or retain a tax attorney.

In any event, you will have to provide whatever pertinent information the agent requests. Tax cases are much easier to settle when taxpayers are cooperative. Besides the Commissioner of Internal Revenue has broad authority to get the data he needs if it exists.

The agent will discuss with you any income that may be subject to question but not the amount of tax. You may convince him that your return is correct or you may agree that an adjustment is necessary. In the latter case the agent will ask you to execute Treasury Department form 870. This form is the taxpayer's okay to an amendment of his return. It stops the running of 6 per cent interest on any deficiency within 30 days of signing. Subsequently the district director will refigure the tax due and bill you for it.

If you and the agent cannot agree, he will report this to his district director. The director will then send you a letter of proposed adjustments which details the exact points of disagreement. He will also request a conference to be held within 10 days with a district group supervisor.

At this point the district office may request advice from the national office in Washington. If difficult technical questions are involved in your case it is often a good idea to urge that this be done. When such advice is sought, you have the right to file a brief with Washington and/or get a hearing there. This may help clarify points on which you or the district office, or both, are in error.

The conference with the group supervisor is optional but, lawyers say, highly desirable. Since 90 per cent of tax disagreements arise from a confusion of facts rather than law, many cases can be settled at this conference. It is entirely informal, conducted in a conversational way around a table. When it is concluded, the group supervisor makes a report explaining the agreement if there is one and, if not, his conclusions in the case.

If a settlement is reached, you will be again asked to fill out form 870 which, besides stopping the interest on deficiencies, waives your right to petition to the Tax Court. In other words, it ends the case.

If you and the government still disagree you will get a copy of their report on your case, together with a "30-day letter."

When this letter arrives, you have four options.

1. Within 30 days you may file a formal protest with the district office

and request that the case be transferred to the appellate division of the region where your tax district lies.

2. You may stand pat, let the 30 days expire, and wait for a tax deficiency notice. The receipt of this notice automatically gives you the right to petition to the U. S. Tax Court for a trial.

3. You can pay the tax within 30 days and forget the whole thing.

4. You can pay the tax alleged to be due, and then claim a refund. If this is denied or is not acted upon within six months, you may sue the government directly in a regular U. S. district court or in the U. S. Court of Claims.

If you take the first alternative and file a protest, your case is transferred to the Appellate Division of your region. This Division is now entirely independent of the district offices. It has two basic functions. One is to review the case in an atmosphere removed from district examiners and reach a settlement when possible. The other is to develop a legally sound and defensible basis for subsequent court action if no settlement is reached.

When the Appellate Division receives your protest, a new hearing—also informal—will be arranged with an appellate examiner and a technical adviser. Their job is to determine your exact tax deficiency or overassessment. They, too, try to settle the case. They are not charged with finding facts since this presumably has already been done. However, additional facts may be developed at this hearing.

Appellate division chiefs and their associates have authority to settle any case involving a deficiency or any case involving overassessment up to $100,000. If more than $100,000 of overassessment is at issue, the case is subject to review by the chief counsel for the I.R.S. and the Joint Congressional Committee on Internal Revenue Taxation.

Under the conference rules, Appellate chiefs are directed as follows:

"In recognition of the difference between abstract theory and practical administration, where substantial uncertainties exist either in law or in fact, or both, the Appellate Division will consider an offer of settlement on a basis which fairly reflects the strength or weakness of the opposing views. . . ."

That is, you may make a settlement offer and be sure that Appellate officials will give it careful attention and perhaps accept it. They may make a similar offer or counteroffer to you.

If no settlement is reached, the technical adviser forwards a report

INCOME TAX CHALLENGES

continued

to the regional counsel for review You will then receive a tax deficiency notice by registered mail. Or, the regional commissioner may withdraw the case from the Appellate Division and try to dispose of it under his personal supervision. This the law also authorizes.

When you receive a tax deficiency notice, you have 90 days to petition for trial in the U. S. Tax Court.

You may request the trial at a time and place convenient to you. Home base for the Tax Court is in Washington, but its 19 judges are constantly on circuit and hold sessions in most major cities on a quarterly basis.

The regional counsel who has reviewed your case will represent the I.R.S. When the case is docketed he will confer with you in an effort to reach an agreed stipulation on the facts of your case. Even at this point settlements are still possible. Often, in fact, these pretrial conferences lead to a reopening of settlement negotiations, and a new conference with the chief of your Appellate Division may be offered.

If you agree to settle at this time, a special agreement will be drawn up. If no agreement is reached, the case will be tried under usual court procedures and rules.

The Tax Court has authority to fix the tax itself. It may do this even though it comes up with results entirely different from those advocated by the taxpayer, the revenue agent, the group supervisor, or the Appellate Division.

It is usually a good idea to pay any tax alleged to be due at the time your case is docketed with the Tax Court. This will stop interest from accruing further. If the Court decides in your favor you will be entitled to a refund, plus interest. If the Court decides you owe an additional tax, you will have to pay it when the judgment is rendered regardless of whether or not you plan a further appeal. The only exception occurs in certain cases when the taxpayer has filed with the court a bond, which is usually about twice the sum of the deficiency.

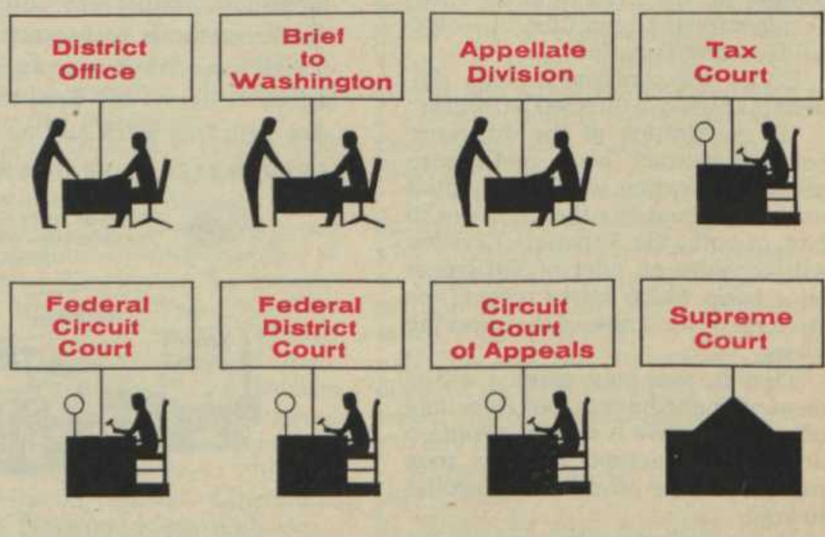
It is important to note that in a trial in Tax Court the burden of proof is on the taxpayer. This is always true unless the government, 1, claims fraud with intent to evade taxation, or, 2, asserts the taxpayer is liable for a tax debt transferred from another taxpayer via business reorganization or some similar circumstance, or, 3, introduces new matter into the case.

Moreover, the Tax Court is authorized to add damages to your deficiency bill up to $500 if it suspects you are petitioning simply to delay paying your tax.

If the Tax Court decision is not to your liking, you may either ask the Court for a rehearing—which is seldom granted—or appeal within 90 days to a federal circuit court of appeals.

If you have already paid the deficiency and have applied for a refund without success, the way is open for suit through the regular federal

Tax dispute may end in any of eight places



TAX CHALLENGES

continued

courts. The basis for such suits is not that the tax itself is illegal or was illegally collected, but only that the tax was overassessed.

This line of procedure has certain disadvantages as well as advantages.

One disadvantage is that it makes the settlement more difficult because the special settlement machinery of the I.R.S. can no longer be utilized. Another is that costs begin to climb when the federal courts are brought into play.

One of the advantages is that the government is represented by the Justice Department rather than the Treasury Department. The Attorney General has power to make settlements with or without the concurrence of the Commissioner of Internal Revenue and, tax lawyers seem to agree, Justice Department attorneys are often more "realistic" in their views than the technical advisers in the I.R.S.

Another advantage is that the case is taken out of the domain of the Executive branch which is charged with enforcing the income tax, and put under the Judicial branch whose duty is simply to interpret the law. This may mean that your case will get more objective treatment. It is also important in that the decision of a federal district court carries more legal weight than one given by the Tax Court. If there is a conflict of interpretation of the law between the two, district court views are likely to exert more force on appeal.

The Commissioner's report notes that, whereas federal district court decisions last year went 58 per cent in favor of the taxpayer, Tax Court decisions favored the government by awarding 56 per cent of the amount of taxes in dispute to the I.R.S. Cases appealed from the district courts to federal circuit courts had an 11 per cent better chance of being decided in favor of the taxpayer than those appealed from the Tax Court. District court cases reaching the Supreme Court were decided three to one in favor of the taxpayer; tax court cases reaching the Supreme Court were decided 6 to 1 in favor of the government.

If you are dissatisfied with the decision of the federal district court, you may, of course, take the case to a federal circuit court of appeals. (So may the government.)

The final step in any tax dispute is an appeal to the Supreme Court of the United States.

Chances are slight the case will be accepted by the Supreme Court.

Usually no Supreme Court review will be granted unless: 1, the circuit court decision conflicts with that of another circuit court on the same matter, 2, the point at issue is an important one never before touched by the Supreme Court, 3, the circuit court's decision seems to conflict with prior Supreme Court rulings, or 4, the circuit court has radically departed from accepted judicial proceedings.

In 1956, of some 20,000 protests, the I.R.S. accepted about 1,800 compromise tax offers by taxpayers. Some 2,700 others were rejected or withdrawn. About 1,000 cases were tried in Tax Court; another 1,000 were taken to the federal district courts or the U. S. Court of Claims. Approximately 500 cases found their way to federal circuit courts of appeal. Nine cases reached the U. S. Supreme Court. Incidentally, if you obtain a judgement for the recovery of your tax in a federal judicial court—as distinguished from the Tax Court—your money will not be refunded automatically.

You will have to file a claim with the Commissioner of Internal Revenue, attaching copies of the judgment. If you claim payment of court costs, too, you must itemize them and have them certified by the clerk of the court involved. In any case,

The right of appeal

As Commissioner of Internal Revenue, it is my duty to collect all the taxes rightly due the government. I do not, however, wish to collect one penny more from any taxpayer than is required by law. . . . Whenever a taxpayer is not in full agreement with our examining officer's determination of his tax liability, I urge him, the taxpayer, to avail himself of the established rights of appeal within the revenue service. I can assure him that he will receive every reasonable consideration from our field personnel having jurisdiction in his case.

—RUSSELL C. HARRINGTON

the judgment won't be paid until the appeal period, which is 90 days, has expired.

Robert Ash, Chairman of the Committee on Tax Appeals Procedure for the American Bar Association, offers some pertinent comments on the I.R.S. as an income tax enforcement agency.

"Ordinarily," says Mr. Ash, "the government's case . . . is well prepared.

"Under I.R.S. procedure there are numerous written reports with respect to each case, beginning with the revenue agent's report. When a conference is held, the I.R.S. conferees are required to write a memorandum outlining the issues discussed, the facts with reference to them, the conclusions reached, and the reasons for the conclusions. A similar memo is written when a case is considered by the Appellate Division. This means that when the case is called for trial, the chief counsel's representative who handles it is thoroughly informed. The attorneys on the chief counsel's staff are, with few exceptions, well versed in tax law and well qualified as trial lawyers. Never underestimate their ability."

As for the tax law itself, L. Karlton Mosteller, a former tax expert with the I.R.S. who recently concluded an exhaustive study on tax settlement procedures for the A.B.A., says:

"Settlement methods provided in the law frequently amount to no more than an old-fashioned bargaining between the Service and the taxpayer.

"Many taxpayers regard this process as being about the same thing as trial by combat in feudal days or trial by water and fire in witchcraft days. They feel that there should be a more scientific, a more exact way of settling tax controversies . . . Also it is often said, with a great deal of reason and justification, that there is no excuse for the endless complexities and uncertainties. Tax laws should be so framed and expressed that it would be possible for anyone to understand them upon a first reading. Such a tax law would probably eliminate the bickering which is now involved in attempts to resolve tax controversies under existing procedures."

It should be added, however, and Mr. Mosteller notes it, that "our tax laws are made by Congress and not by the I.R.S." The Service is supposed to administer the laws fairly and to the best of its ability.

Most tax lawyers, as well as taxpayers who have had special dealings with the Service, think it does so.—PHILIP YEAGER & JOHN STARK

FUTURE MANAGERS *continued from page 37*

leadership conducted specifically for the American Airlines management personnel.

Mr. Reilley foresees more companies running their own management education. More firms will set up institutions such as General Electric's Management Research and Development Institute at Crotonville, N. Y.

"If we learn to do things internally, we can be more effective in translating learning and applying the knowledge to company problems," Mr. Reilley believes.

In the final analysis, a company can only provide the policy, opportunity and atmosphere for management development. Managers will have to develop themselves. As Mr. Reilley puts it: "Discovery for oneself is the secret."

To build broader managers, says Professor Brooks, progressive companies will encourage sabbatical leaves for executives, like those given teachers for professional development, travel and research. Companies also may send their purchasing agent to the firms where he buys to see what these firms think of the purchase procedures. Salesmen will make special calls on customers just to get reaction to the product.

Job rotation will be more frequent. One auto parts manufacturer already has a special post in the personnel department where line officers are put for six months to see how a staff department works. There will be more rotating between line and staff jobs in the future, Professor Brooks predicts, as the walls between departments are lowered.

Men will be transferred for a purpose, not just because they didn't measure up in a particular spot. In one company department heads drew up a treaty pledging that they wouldn't shift their misfits to other departments.

The future will also bring more exact tools for forecasting manpower needs and measuring performance and potential.

Keeping current inventories of possible successors may become more difficult if the nature of jobs

POPOS WILL GO

There will be fewer POPOS in 1965.

POPOS are the men who have been Passed Over and Put on the Shelf; or Promising Once, Presently Obsolete; or Permanently Overlooked, Pasturing Only.

Informal organizations of these ill-starred businessmen have been formed in some cities. An auxiliary for wives—Patient Order, Passed-Over Spouses—has even been organized.

The POPOS' plight is explained with such phrases as: "Working for the same supervisor 17 years"; "Assignments too specialized"; "Told my boss what I really thought"; "It isn't what you know but whom you know"; "No training program when I started"; "Turned down one transfer—that did it"; "Requested a transfer once and my boss always resented it."

Professor Earl Brooks of Cornell University says in the next decade management development programs will have progressed so that POPOS will be a scarce breed. Tools for preventing POPOS will include improved selection, making supervisors responsible for developing subordinates, facing up to failures more quickly, transferring men between line and staff jobs, and establishing more records and reports of performance and potential.

continues to change rapidly and the pace of reassignment and turnover quickens. The trend can be seen today. In a large retail organization recently, a man who was a good promoter was made manager of a new department until it got moving. Then he was soon reassigned and replaced by another manager with different talents who established standards and procedures to keep it operating successfully.

Professor Brooks predicts there will be more shifting of people both vertically and horizontally under systematic plans, "not just to change pasture."

Even today, as one oil company official remarked: "If you haven't been moved in three years, something's wrong."

More thorough searching for replacements within an organization rather than outside is another future likelihood.

Management talent is often buried in large, specialized work groups, and much of it is wasted unless there are scientific means of discovery, according to F. L. Larkin, vice president in charge of personnel services, Wisconsin Electric Power Company. The traditional yardstick—technical competence, college degrees, seniority, diligence and loyalty—won't find the talent, he adds.

Wisconsin Electric Power developed a plan for evaluating and selecting future management people, which Mr. Larkin says has proved successful. To find the talent, the plan uses ratings by work associates, interviews conducted by trained psychologists and a battery of six tests in intelligence, judgment, vocational preferences, supervisory aptitudes, sense of values and personality. Information from all these sources is combined and evaluated by a staff of psychologists.

Mr. Larkin reports a high degree of correlation between the psychologists' prediction of management abilities and actual performance of the man selected for a management position.

A management inventory and development program recently developed by Kaiser Aluminum & Chemical Corporation uses personal histories which include education and experience, written descriptions of responsibilities and functions of each management position, performance appraisals and evaluation of potential and individual development plans to help men improve in their current jobs and qualify for future positions.

Eventually most companies may have specifications for men as there are specifications for machines, and methods for early identification of

FUTURE MANAGERS

continued

management potential will be widespread, Professor Brooks says.

In the next decade there will be several understudies for a management position, some from different departments of the organization. There will be more competition for each vacancy. Seniority will no longer be followed slavishly. There will be more trials for trainees earlier in their careers. Nowadays, as one junior executive complained, "You can be with a company 10 years before they give you a chance to stub your toe."

In the future, employes will have a chance to prove themselves earlier, and will be given more challenging work. Companies will face up earlier to employe successes and failures, says Professor Brooks.

By 1965, the foreman's job will be coveted by ambitious young men. College men don't want to be foremen now. It's a dead end in many companies.

But its prestige will grow in the future, Professor Brooks believes. It's a place where men can learn a line job and make decisions early. Superiors can quickly observe the foreman's ability to work with the men under him.

Multiply and divide: "The heart of our economic life lies in our learning how better to multiply our economic capabilities, and to divide the values created by our multiplication among those who contribute to it."

Roger M. Blough,
Chairman of the Board,
U. S. Steel Corporation

Dr. F. F. Foltman of Cornell's School of Industrial and Labor Relations foresees a new bend in the salary curve for management. Instead of young men starting at a comparatively low salary and gradually earning higher pay, they may earn big money almost right away, when they need it to build homes and raise families, but the level of pay wouldn't rise as sharply in later years.

Professor Brooks sees more incentive pay in the future. There will be more bonuses for executives based on formulas to measure their effectiveness and results. These bonuses

will be paid on a deferred basis for two reasons: Tax rates take too big a bite if the bonus is given in any one year, and bonuses paid over several years will tend to keep the man with the company.

In the years ahead, companies will take a "tougher-minded approach" to employe relations, Mr. Reilley predicts. They will insist that their people—particularly managers and other key personnel—perform or take the consequences.

"They will abandon the saccharine approach to human relations," he added. "Employes respect you more if you insist on results."

Firms will be organized so that managers have the responsibility for a whole job and have the tools and staff to do it. Objectives will be set and performance will be measured. Everyone will be held accountable for his work.

By 1965 we'll be working smarter, not harder, according to Professor Brooks. The ratio of scientists and engineers to production workers will increase. Industry will have to have a higher percentage of people with know-how to increase productivity. Machines can only go so far; the minds of men will make the real progress.

Dr. Ginzberg sees the mutual use of scientists by several companies as a possible solution to the shortage of technical brains. A leading physicist, for instance, might be in the employ of a dozen companies on a part-time basis in the future.

He also believes that, by 1965, the standard retirement age will be 68 rather than 65. Others feel that retirements will be earlier—at 60 or younger.

As management moves toward improved organization, more accurate systems of measuring work results and more compensation based on performance, there will be greater opportunity for men to volunteer for the tough assignments so companies can find out who really wants to move ahead, Dr. Ginzberg predicts.

All in all, Professor Brooks notes, business is realizing that the appraisal and forecasting of management manpower resources and needs, selection, paying, promoting and broadening of managers, "are not activities over and above the running of plants, serving customers and making profits—these are how objectives are most effectively accomplished." END

REPRINTS *of "What Future Managers Will Do" may be obtained for 15 cents a copy or $11.25 per 100 postpaid, from Nation's Business, 1615 H Street, N.W., Washington 6, D. C. Please enclose remittance.*

Businessmen, workers agree politically

VIEWS of businessmen and wage earners on major national political issues are moving closer together.

That's shown by an analysis of voter attitudes in the 1956 presidential election made exclusively for NATION'S BUSINESS by the Survey Research Center of the University of Michigan.

The Center, known to businessmen for its surveys of consumer attitudes, finances and expectations, extracted the comparative views of 245 businessmen and 729 wage earners from a highly scientific, nationwide sample of 2,000 voters.

The business people covered include executives, managers, proprietors of large, medium and small businesses.

The wage earners comprise skilled, semiskilled and unskilled workers, including farm laborers.

The similarity of views between management people and wage earners is a distinctly new development in U. S. politics, according to Assistant Prof. Warren Miller of the Survey Research Center, codirector of the Center's national election study.

Professor Miller points out that previous national election studies showed much sharper differences in the attitudes of business and laboring people on issues comparable to those covered in the recent study.

"The results of this latest analysis are a great surprise to us," says Professor Miller.

What does this new similarity of views mean?

First, it shows that a lot of people crossed party lines to indorse an extremely popular President.

Second, it means that more and more Americans—whatever their social or occupational identity—are beginning to see less and less essential difference in the domestic positions of the two major parties.

"There was a time," says Professor Miller, "when working people regarded the Republican Party as a cold-blooded ogre unconcerned about human needs. The Democratic Party, on the other hand, was viewed as the party which had the welfare of the people at heart. This distinction has been dissipated in many voters' minds—especially with the recent movement of the Eisenhower Administration into the public welfare field—with the result that the Democratic Party has lost a large part of its traditional strength."

Professor Miller points out that both labor and management people say the Republicans are closer to their views on foreign policy on all issues covered than the Democrats—a finding consistent with the Center's general data on the study. The Democrats, on the other hand, enjoy no similar across-the-board dominance on domestic issues, although the wage earners' views do indicate that they tend to look to the Democratic Party more than the GOP on such items as employment and segregation.

The table on the right shows comparative views of businessmen and wage earners on some important foreign and domestic policy questions. The figures in the right margin indicate what per cent of businessmen and wage earners feel the Republican and Democratic parties, respectively, most closely followed their own views on the question noted. END

Government should		YES	NO	NO COMMENT	REPUBLICANS CLOSER TO MY VIEW	DEMOCRATS CLOSER TO MY VIEW
See to it that everyone who wants to work can find a job	BUSINESSMEN	47%	36%	17%	16%	16%
	WAGE EARNERS	65	21	14	12	22
See to it that big business does not have much say about how government is run	BUSINESSMEN	48	23	29	19	29
	WAGE EARNERS	51	12	37	8	23
See to it that labor unions don't have much say about how government is run	BUSINESSMEN	61	15	24	24	11
	WAGE EARNERS	43	23	34	16	15
Fire government workers accused of communism, even without proof	BUSINESSMEN	21	62	17	23	11
	WAGE EARNERS	21	56	23	13	8
Concern itself with problems in other parts of the world	BUSINESSMEN	66	19	15	30	10
	WAGE EARNERS	52	27	21	18	12
Give economic help to poorer countries, even if they can't pay for it	BUSINESSMEN	44	24	32	21	14
	WAGE EARNERS	40	26	34	27	11
Act just as tough toward Russia and communist China as they do	BUSINESSMEN	67	12	21	28	15
	WAGE EARNERS	61	13	26	21	14
Keep soldiers overseas, where they can help countries that are against communism	BUSINESSMEN	58	12	30	25	6
	WAGE EARNERS	57	14	29	15	7
Go more than half way in being friendly with other countries	BUSINESSMEN	67	19	14	26	12
	WAGE EARNERS	61	20	19	19	11
Give help to foreign countries, even if they're not as much against communism as we are	BUSINESSMEN	32	32	36	18	8
	WAGE EARNERS	25	33	42	11	8

LABOR PROBE

continued from page 35

control and other actions in restraint of trade.

Welfare fund legislation

Should employe pension and welfare plans be regulated?

After two years of investigation and studies, Congress seems ready to pass a law requiring that plans which cover 100 or more employes be registered with the government, and the financial operations publicly disclosed. About $7 billion is paid annually into these funds, and funded reserves have reached between $20 and $25 billion.

Disclosures of mishandling of union-dominated welfare funds and other irregularities may result in regulatory legislation giving more protection to employes covered.

In an interview with NATION'S BUSINESS, Senator McClellan emphasized that the committee's authority is broad enough to cover any aspect of labor-management relations or improper activities within labor or management.

Robert F. Kennedy, brother of the senator, is chief counsel. While attached to the Senate Permanent Subcommittee on Investigations, he and his staff conducted investigations in New York, Los Angeles, Philadelphia, San Francisco, Portland, Ore., Seattle, Chicago, Scranton, Pa., and Minneapolis.

Other cities to be visited include: Detroit, Cleveland, Miami, Pittsburgh, St. Louis, Kansas City.

As coercion, extortion, intimidation, mismanagement and other union abuses are uncovered which demand quick legislative action, NATION'S BUSINESS was told, the committee will, without waiting, draft and introduce corrective legislation.

Unions already under scrutiny of Senate investigators or previously involved in improper or corrupt activities include the teamsters, the operating engineers, carpenters, plumbers, painters, hod carriers, building service employes, and other building trades crafts; bakery workers, retail clerks, Allied Industrial Workers, longshoremen, garment workers, chemical workers, laundry workers, waste material handlers, and distillery workers.

Some effective enforcement has been done, and more will be done, by local and federal grand juries in New York, Chicago, St. Louis, Louisville and other cities.

Under the Eisenhower Administration, the Department of Justice has been cracking down hard on labor corruption. In addition to the 89 convictions under the Hobbs Act, it has won 26 convictions against employers and union officials under the Taft-Hartley Section 302 prohibiting employer payments or gifts to union officials, who themselves are barred from receiving them. Seven unionists have also pleaded guilty to income tax evasion charges growing out of investigations or corruption. About 60 are awaiting trial on various charges.

Many kinds of corruption, restrictive practices and other labor abuses have been exposed through inquiries by congressional committees, prosecutions and complaints from employers, workers and even unions.

Some involve law violations, such as extortion. Other abuses, such as using union position and power for personal gain, some secondary boycotts, threats, misuse of union and welfare funds, and other practices, escape the law and may get legislative attention from the McClellan or some other committee.

Enforcement officials complain about the unwillingness of some employers to disclose racketeering. District Attorney Frank S. Hogan of New York says this is "one of the chief obstacles in the fight to eliminate the labor racketeer."

Here are examples of the type of racketeering which the McClellan committee is interested in hearing about from businessmen who have personal knowledge of such activity:

Gangster control

Through issuance of union charters to locals without members—so-called paper locals—gangsters have been able to use the locals to shake down employers under threat of labor trouble.

Johnny Dio was indicted last fall on charges of shaking down two retail stationery concerns in New York while under two other indictments—one for conspiracy to obstruct justice in the blinding of labor columnist Victor Riesel, the other for conspiracy to accept $30,000 in bribes in a union sell-out.

The indictment charges that Dio and an accomplice set up picket lines at the two stores and obtained $4,700 as a price for labor peace.

Also in New York four racketeers obtained a charter of the retail clerks union and used it to extort $11,000 from 12 stores with threats of picket lines and exorbitant contract demands, an indictment alleges.

Misuse of union funds

The Senate committee is investigating information that the Teamsters Union paid for repairs on President Dave Beck's Seattle home, then bought it from him for $163,000

while allowing him to live in it; that the union paid $8,800 in personal expenses for Mr. Beck, and that Frank Brewster, West Coast vice president of the union, used union funds to maintain a stable of horses.

Mr. Beck admits borrowing $400,000 from union funds, over a 10-year period, without paying interest or posting security.

In St. Louis, a Plumbers Union official used most of the union's political fund to defend himself, unsuccessfully, against extortion charges brought by a contractor.

Misuse of welfare funds

In Cleveland, a local teamster official collected $790,000 in two years from employers for a union welfare fund, but spent only 20 per cent of it for welfare insurance premiums. He set aside 15 per cent for "administration," from which he bought banquet, baseball, raffle and fight tickets and gifts of whisky for fund officials. With the remainder he was going to build a clinic as a monument to himself.

In Chicago, a bricklayers' union official dissipated almost all of a $215,000 union welfare fund.

In Minneapolis, a teamster official used welfare funds to buy a cafe in competition with employers who contributed to the fund.

Extortion

In Joppa, Ill., the head of the Laborers and Hod Carriers' Union instigated strikes, slowdowns, jurisdictional disputes and other harassment for 18 months in an attempt to extort $1,030,000—one per cent of the contract cost—from the builder of a power plant for the Atomic Energy Commission. The contractor refused, eventually turned the job over to another contractor at an added cost of about $51 million to the government. The unionist is serving a 15-year sentence.

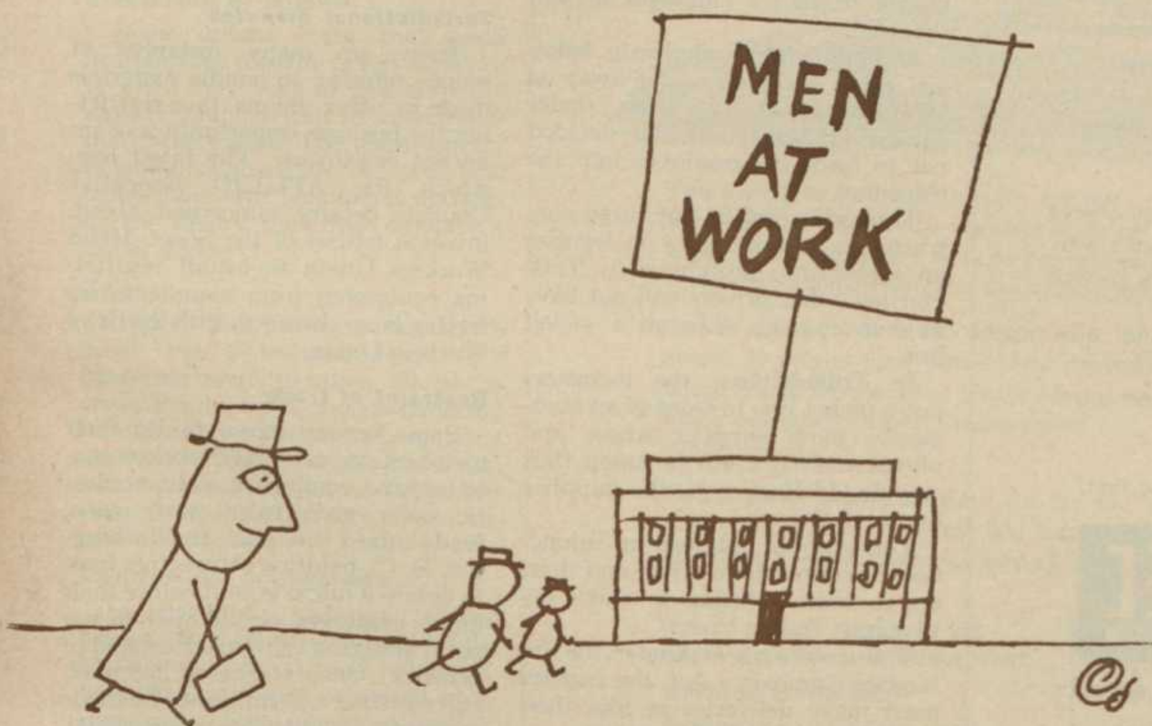
In St. Louis, another unionist extorted $29,000 from a contractor laying an interstate pipeline under threat of strikes, slowdowns, featherbedding, and jurisdictional disputes. The unionist set up a dummy partnership, ostensibly to rent equipment to the contractor. The contractor never received any equipment but paid "rental" after receiving false invoices.

In Philadelphia, three local officers of the International Longshoremen's Association were accused of extorting $28,000 from a sugar refining company under threat of labor trouble at unloading piers.

Secondary boycotts

Because of a loophole Taft-Hartley does not restrict a union from

(continued on page 106)



They join because they benefit by the National Chamber's leadership in the solution of national problems affecting all business.

They join because they benefit by receiving the useful services which the National Chamber makes available to its members.

But most of all . . .

They join because they know that, in a democracy, you cannot have what you want—even though what you want is right for the vast majority of the people—unless you work for it.

And . . . because they know that one good way to work to protect and improve private business, and to translate economic growth into human progress, is by *working together* through a strong, positive, forward-looking national federation such as the Chamber of Commerce of the United States.

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LABOR PROBE

continued

bringing pressure directly on a neutral employer to force him to stop doing business with another; only coercion of employes of the secondary employer is illegal.

In Philadelphia, an independent meatpacker whose employes would not join the teamsters was threatened with loss of orders from retail store operators who were themselves threatened with trouble by the teamsters if they continued to handle the nonunion meat. Reluctantly, to save his business, the meatpacker urged his employes to join the union.

A Philadelphia wholesale baker lost retail accounts as far away as Washington, D. C., when, under similar circumstances, he decided not to force his employes into the teamsters.

Through so-called hot cargo contracts the teamsters try to legalize an agreement—prohibited by Taft-Hartley—that drivers will not have to deliver goods through a picket line.

In Philadelphia, the teamsters put a picket line in front of an automotive parts supplier whose employes would not join the union, thus stopping deliveries to the supplier by union drivers.

The supplier obtained an injunction directing the carriers and drivers to cease refusing to make deliveries.

The court's view: Under the Interstate Commerce Act, the carriers must make deliveries or lose their certificate as common carriers.

Under Taft-Hartley, union representation is up to the employes; the employer is forbidden to sign up with a union unless it is the wish of a majority of his employes.

A bill introduced by Sen. Carl T. Curtis of Nebraska would plug most of the secondary boycott loopholes.

Since Taft-Hartley does not seem to cope effectively with hot cargo contracts, an effort is being made to have the Interstate Commerce Commission declare them in violation of the Interstate Commerce Act. A leader in this fight is Galveston Truck Lines of Houston, Texas, which has been engaged in a long and bitter struggle against hot cargo agreements.

The Chamber of Commerce of the United States and others have joined in.

Business competition

In Minneapolis and Detroit, teamster officials operate trucking businesses in competition with employers with whom they bargain in behalf of employes.

In another midwest city, the head of a plumbers local is reported to control a plumbing supply business which sells to contractors dealing with his union.

In Cleveland, teamster officials representing excavation workers worked their way into excavating businesses. In 30 months, the city experienced 33 unsolved bombings aimed at excavating contractors.

In Michigan, union officials obtained control of a film delivery business from a businessman who had lost the business because of trouble with the union.

Jurisdictional disputes

There are many instances of unions refusing to handle materials made by other unions, thus restricting the business opportunities of innocent employers. The latest one, which the AFL-CIO Executive Council became concerned about, involves refusal of the Sheet Metal Workers Union to install ventilating equipment from manufacturers having labor contracts with the Steel Workers Union.

Restraint of trade

Some unions refuse to let their members use or handle modern materials and equipment, such as plastic water pipe, paint spray guns, ready-mixed concrete. In Washington, D. C., painting contractors have to obtain a union permit before their union employes are allowed to use paint spraying equipment instead of brushes. One contractor had difficulty getting a permit until he made a present of money to a union official. Such payments are usually added to the cost of a job as "expenses."

Featherbedding

A drivers' local of teamsters in Philadelphia demands $20.40 for any truck that is loaded or unloaded at a warehouse by anyone except a member of this local union.

In some cities union workers insist on dismantling prefabricated plumbing and electrical units and reassembling them on the job before installation. Carpenters in many cities won't install preglazed sash.

Goon tactics

In Philadelphia, NATION'S BUSINESS was told, gangs in automobiles parked at gates of refineries and oil distributors followed oil trucks around the city, threatened drivers and threw bricks through truck windshields in a determined effort to force the drivers into the teamsters. Some drivers already belonged to another union certified as bargaining

agent by the National Labor Relations Board.

Monopoly

In New York and Los Angeles, teamster locals have tried to enforce a monopoly on rubbish and garbage collections.

In Portland, Detroit, Cleveland, Toledo, Akron, Cincinnati and other cities they were instrumental in organizing associations of distributors of jukeboxes and coin-vending machines who use only teamster members to service them. They then try to enforce a monopoly by trying to prohibit the use of machines not distributed by members of the associations.

Employers in unions

Some unions insist that small businessmen join the union, especially when they work at jobs normally done by employes, as in some building trades crafts. The teamsters try to unionize small storekeepers who make their own pickups at markets on the theory that they displace a union driver.

Bribery

Under Taft-Hartley, employers have been prosecuted when they made payments to union officials in seeking some favor, such as avoiding unionization or softening bargaining demands. Union leaders have also been prosecuted under this law when the payments were in the nature of extortion.

Interference in government

In Portland, teamster officials were accused by witnesses before the McClellan Committee of having attempted to take over gambling, prostitution and local law enforcement.

Organizing from top

In Philadelphia, employes of a toy manufacturer would not join the teamsters. In October, shortly after he had borrowed $200,000 to make Christmas toys, the manufacturer was threatened with trouble if he did not sign up with the union. To protect his investment in peak season, he signed up.

The AFL-CIO, through its Ethical Practices Committee, already has taken action against several unions as a result of malpractices disclosed by congressional committees. It has also adopted Codes of Ethical Practices.

The AFL-CIO cannot do a complete job of cleaning up the labor movement, however, because its only power is to expel a union from the federation.

Expelled unions could still continue to function, as have some previously expelled from AFL and CIO. **END**

Executive Trends

You'll hear more about long-range planning

Executives are coming to realize that sound planning is the key to better profits, smoother operation and, in the final analysis, company success. Guidelines for long-range planning are numerous, vary by company, but certain common characteristics are emerging. One is the fixing of definite responsibility for the planning function. In some companies this rests with one, or a few, individuals. In others it's a team responsibility.

► *In one large manufacturing concern planning is being done by a special Business Projection Committee made up of leaders from all parts of the firm. Group meets twice a year. Members are encouraged to develop their own thinking. This often produces sharp clashes, makes chairman's job tricky. But end result, company reports, is best possible idea of where company is going, areas in which it should make its heaviest investment of money, time, manpower.*

How do you make long-range forecasts?

One marketing consultant suggests these steps: 1. Select men with broad interests to make forecasts. 2. Emphasize and analyze trends. 3. Move from the general to the specific. 4. Put fluctuations in their proper perspective. 5. Select key indexes related to the business and the general economy. 6. Study the relationships between the selected indexes and the product markets. 7. Set individual objectives—first, in per cent of market, and then interpret into dollar goals. 8. Assemble individual objectives into a consolidated forecast.

► *Both short and long-range plans should be developed, most executives agree. Short-range plans will adjust for upward and downward movements in the business cycle, long-range plans show over-all direction. There will be variations between industries, firms. That's inevitable because not all companies, industries grow at same rate at same time. This also points up danger of too-heavy reliance on packaged forecasts. They're valuable, of course, but mainly as an advisory or supplementary tool. Individual firms still should plot their own needs, own course.*

How important is planning ahead?

Answer is—very important. One business leader says this: "Businessmen who rely on guesswork and intuition face a bleak future. Business today must set long-range plans based on proved statistics." Areas for forward-planning include sales forecasts, budgets, finances, plant and equipment expansion. It's important to remember, as one executive put it, "that you simply cannot put a forecast to bed and let it sleep undisturbed . . . strikes, floods, wars, and competitors act with startling speed." Point is that forecasts should be coordinated, constantly re-evaluated for revision —and should be publicized throughout your organization for use in all phases of company planning.

► *Too little planning has been done in field of manpower forecasting. But more and more forecasting of personnel needs will be done in months, years ahead. Why? Because management sees pinch for workers, executives getting tighter all the time. As one executive says,*

the lead time to get specialized personnel ready to operate plants is just as much a problem as manufacturing lead time.

Coming: new manpower forecasting techniques

Minnesota Mining & Manufacturing Company of St. Paul, Minn., says it has developed one which enables company to estimate its advance recruiting and development requirements with an error of less than one per cent. 3M, over five-year period, tabulated number of managers in each department of company at start of year, additions and deletions during year, total at end. It also computed turnover percentages and possible retirements during five-year period.

► *3M found excellent correlation between number of managers at end of the year and company sales for year. Average amount of sales per manager was consistent each year in various classifications. Formula then was applied to five-year sales forecast. Total company sales forecast for each year was divided by average sales per manager. Result was total of managers needed for each year of the next five years. By multiplying total managers each year by turnover ratios and adding number of additional managers to be obtained that year, 3M determined number it needed to develop.*

Employe interest will aid planning

In laying plans for future hiring, promoting and transferring don't overlook employe interest in company success. New study by John W. Riegel, director of the Bureau of Industrial Relations, University of Michigan, points up means by which management can build employe interest. These include sharing business information with employes (most frequently mentioned). Rest periods, service awards and year-end bonuses were infrequently mentioned.

► *This jibes with at least one earlier study which explored what employes want to know from company publications. In this study business information—company services, finances, products, wages—rated high, while features on management people, co-workers got little interest.*

Is it important to keep employes interested?

That question has been kicked around a lot. Best answer is "yes"—as long as keeping employes interested, morale high, is consistent with aims of the firm. Professor Riegel conducted research in eight companies, turned up some interesting characteristics of employes who are interested in firm's future. High-interest employes usually were married, older, had been with company longer, were home owners and were healthy, were considered nearly 40 per cent more valuable on the job.

► *Best way to determine employe morale is to measure it. Interest in this is growing, will command more attention in coming years. A number of yardsticks for measuring morale are being evolved (see page 62). Most of them attempt to determine degree of employe satisfaction with working conditions, supervisors, fellow workers, etc. Depth of executive interest is shown by American Management Association survey of top and middle executives. They ranked people their number one concern.*

No one wants the ulcers

Trend to watch is growing disinterest of young men in top jobs, highest responsibility in management. One university president says today's college graduates would rather settle for middle management posts. Why? Because youngsters feel price of the ultimate success in business is too high—means too much work, too much worry, not enough time for relaxation, fun with family. A personnel executive in large firm says he's noted same trend. Says young engineer told him he was going into business for himself because he saw advancement with firm would bring too much wear and tear to justify working for somebody else.

► *Real cause of this feeling, some management experts believe, is overemphasis on team play in business, not enough stress on satisfactions of individual effort. Young men can't see themselves as anything but small part of big machine. If concern over this grows it could lead to drastic changes in popular group activities such as brainstorming. May bring resurgence of interest in individual effort.*

CHECK SPENDING

continued from page 39

the same facts available to each. The Senate would still provide its traditional check on the initial budget actions taken by the House.

The Joint Budget Committee should be staffed by a career group of professionals. Even in the absence of a Joint Committee, staff of current appropriation committees should be re-evaluated to determine their adequacy. The staffs are now one of the few strengths in the system of congressional review. Since the Legislative Reorganization Act of 1946, they have been supplemented and significant advances have been made in their professional qualities. However, indications are that additional strength is needed here.

4. Budget training

Generally speaking, most members of Congress have little chance to become familiar with the budget they are being asked to act upon. The budget is confusing and is often regarded as something which the appropriation committees handle.

The budget is the most important single action the Congress takes each session. It is the dollar embodiment of all the policies Congress has made in the past or will make during that session. To a large degree it determines the manner and effectiveness with which its policies are carried out by the executive agencies. Then, too, it gives congressmen and senators an annual opportunity to review the over-all federal program and determine which way it is leading the nation and world.

So that members may be qualified to take full advantage of this opportunity, a series of working seminars could be set up for the new members unfamiliar with the workings of the budget process. Here they could learn budget terminology, procedure, the format of the budget, its general content, the nature of the budget decisions they will be asked to make, and some simple criteria for use in evaluating appropriation items. A series of formal briefings by the budget or appropriation committee staffs would acquaint all members with the President's budget and message.

5. Rules and procedures

Several techniques and procedures now in use weaken Congress' grip on the purse strings. Among the major ones are:

Contract authorizations. These are a back-door way of getting spending authority which might be more difficult to procure by following the usual appropriation procedures. These are statutory authorizations under which contracts or other obligations may be entered into prior to an appropriation for the payment of such obligations.

Project orders. These devices, prevalent in the Armed Services, are orders by one government account on another for goods or services. They are one means by which an agency's reservation of funds is hidden. Their use should be discontinued.

For example, military post A could issue a project order on military installation B for goods or services. Along with the order comes the funds—say $500,000 which is automatically obligated in full. B may or may not be called upon to provide the services and sometimes, even if called upon, does not need the entire amount provided. As a result, A could wind up with a $500,000 nest egg, which is presumably obligated and no longer available, yet which actually is available.

Permanent and indefinite appropriations. Permanent appropriations do not call for an annual review of spending programs by Congress.

For example, the President's fiscal 1958 budget contained permanent appropriations, exclusive of interest on the debt, of nearly $600 million. These were an inheritance from past Congresses, and will not require action by this Congress. A substantial reduction or elimination of these is in order. Restrictive action should be taken also on appropriations for indefinite amounts of funds.

Budgetary accounts. These should receive unqualified certifications as to accuracy and content, a situation which does not exist today. Although public law requires an annual unqualified certification of the unobligated balances on the books of each agency, this has never received full and accurate compliance. Furthermore, financial reports by agencies should be reconcilable to official accounting records.

Annual expenditures. Expenditure limitations should be established for certain selected programs, such as the long lead-time activities. This differs from the recommendation of the second Hoover Commission in that it would be a limitation on expenditures and not accrued expenditures which is upon the delivery of goods and services.

The rules of Congress should also require budget or appropriation committee review and comment on actions of legislative committees which have a distinct effect upon the budget. At present legislative com-

mittees take such actions without proper consideration of their financial implications. Aid programs, the establishment of quotas and the like should be processed through the appropriations or budget committees for comment.

In addition, a simple parliamentary provision stating that no additions could be made to the budget submitted by the President except by unanimous consent would take the pressure off congressmen who are plagued with requests to add some special project. Such an arrangement would not restrict congressional will unnecessarily, and would operate in the same manner in which it currently works on the inclusion of legislation in appropriation bills.

In the absence of such self-discipline by Congress, the use of an item veto for the President should be sought.

6. Less budget secrecy

Too much information on the budget is secret. For example, the House hearings are in secret session. Since the Senate generally considers in detail only the items in the budget which the House has changed, the public is, for all practical purposes, excluded from participating in a vast portion of the budget.

Making the Comptroller General a more active participant in congressional action on the Budget would also lead to better congressional understanding of fiscal problems.

There are at least two possible methods for doing this. One is to provide that a top staff member of the General Accounting Office, preferably from its audit organization, participate as a member of the congressional staff during review of appropriation requests. Another is to have the Comptroller General or his authorized representative present to answer questions while the budget is being considered.

Congress in large part must bear responsibility for the breakdown in federal spending control. Many congressmen recognize this. Action by citizens could be the spark necessary to set them in action.

The most appropriate first step would be a joint committee of the Congress to study its handling of the federal budget. A similar mechanism was used effectively to prepare for the reorganization of Congress in 1946. Appropriately staffed, this group could conduct the necessary investigation, and report to the second session of the 85th Congress an action program which would restore congressional control of spending.—WALTER G. HELD

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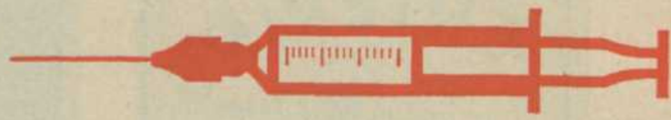

WE ARE so accustomed to inefficiency in government that we have grown dangerously inclined to overlook one area where operation has been vastly improved.

The strategy by which government expands its authority has been brought near to perfection.

The current threat of federal invasion into depressed areas shows this strategy at work.

Depressed areas by government definition are those which have had heavy unemployment for an extended period.

Sen. Paul H. Douglas and other Democrats have proposed that the federal government provide $325 million in loans and grants to help such areas. The money would be made available to low-income rural as well as industrial areas. In addition, the bill would give these areas preference in receiving government contracts, urban renewal grants and other assistance.

Wishing to share whatever political appeal this offer of federal largess may have, the Administration has also introduced a bill. This calls for $50 million in loans but no grants, available to industrial areas only.

Congressional committees are now considering these rival bills. If political strategy operates as in the past, debate on what the government ought to do will now occupy everyone's attention. This will leave no audience for those who raise the point that, in addition to these bills, we have a third and preferable choice:

The government could mind its own business.

Those who raise this point—and several experienced legislators are among them—do not minimize the tragedy of local unemployment. Neither do they minimize the capacity and willingness of local effort to deal with it. Last July, when it first endorsed a depressed areas bill, the Senate Labor Committee listed 18 major and 63 smaller areas which would probably be eligible for assistance. Today local effort has removed six of the major and 10 of the minor areas from that list.

Money alone did not bring about these recoveries—although money was frequently available through such private sources as the Massachusetts Business Development Corporation and the Committee of One Hundred in South Bend; or through state sources, as with the Pennsylvania Industrial Authority.

Recovery in these and other areas has come through study which revealed untapped local strengths. The Salida, Colo., Chamber of Commerce, after self-analysis by a research organization, developed lumbering, new mineral sources and tourist trade to replace worked out mines and decreased railroad employment.

The Winston-Salem, N. C., Chamber of Commerce, combined an excellent state labor climate and improved service to industry into economic progress.

New Bedford, Mass., Utica-Rome, N. Y., Erie, Pa., Knoxville, Tenn., Huntington, W. Va., and other cities have shown how local initiative and responsibility can foster healthy growth.

If the federal government invades this field, these cities will be required to tax their new prosperity to aid those whose efforts have been less successful—and may now reasonably cease altogether. Why should an area continue its own efforts if the government is preparing to spend it into lasting prosperity?

And, whatever other faults it may have, government-stimulated prosperity will be lasting. Once it has fostered a plant, government will be committed to keep it operating—whether operation is profitable or not. This is a costly misallocation of resources and a continuing drain on the Treasury.

It is a policy under which this country's buggy-whip industry still would be flourishing—at the taxpayers' expense.

It is also a dangerous assumption of responsibility which, by creating artificial competition and development, can hinder all communities, as well as present depressed areas.

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